FINANCIAL SECTION

FINANCIAL REVIEW

FINANCIAL SUMMARY

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

	2004	2003	2002	*2002*1 unaudited*	2001
Net Sales:	**¥2,562,411**	¥2,332,760	¥2,401,098	*¥2,183,062*	¥2,014,978
Sales in Japan	**1,442,645**	1,325,637	1,277,865	*1,277,865*	1,245,830
Sales outside Japan	**1,119,766**	1,007,123	1,123,233	*905,197*	769,148
Operating Income	**188,659**	159,893	133,340	*129,888*	123,526
Net Income	**110,027**	111,018	72,313	*70,800*	60,799
Total Assets	**2,526,502**	2,354,657	2,361,048	—	2,343,328
Shareholders' Equity	**1,509,489**	1,397,888	1,421,212	—	1,451,211
Capital Expenditures	**196,461**	171,108	193,599	*183,977*	140,447
Depreciation	**151,169**	146,651	147,277	*139,991*	134,416
R&D Expenses	**214,917**	182,886	185,627	*181,044*	176,959
Net Cash Provided by Operating Activities	**231,814**	267,344	206,663	—	202,127
Per Share:					
Basic net income	**¥ 130.02**	¥ 128.37	¥ 80.22	*¥ 78.54*	¥ 66.51
Fully diluted net income	**130.01**	126.65	78.93	*77.29*	65.51
Cash dividends	**24.00**	20.00	18.00	—	17.00
Shareholders' equity	**1,809.55**	1,656.93	1,641.72	—	1,587.77
Ratios:					
Return on Sales (%)	**4.3**	4.8	3.0	*3.2*	3.0
Current Ratio (%)	**163.0**	161.2	174.0	—	199.0
Fixed Ratio (%)	**97.2**	97.3	95.2	—	91.4
Return on Equity (%)	**7.6**	7.9	5.0	*4.9*	4.4
Average Number of Shares (in thousands)	**842,005**	860,828	901,489	—	914,121
Number of Employees	**95,461**	89,380	86,639	—	85,371

Notes: 1. As of March 31, 2004, DENSO CORPORATION had 164 consolidated subsidiaries and applied the equity method of accounting with respect to 27 affiliates.
2. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year end to March 31 from December 31.
**1 The italicized figures for the year ended March 31, 2002 represent unaudited amounts calculated by management to reflect comparative income statement information including the results of these overseas companies for the 12-month period ended December 31, 2001.*

OPERATING SUMMARY BY BUSINESS SEGMENT

	Millions of yen (percentage of net sales)						Thousands of U.S. dollars
	2004	2003	2002	*2002*1 unaudited*	2001	2000	**2004**
Thermal Systems	**¥ 893,548**	¥ 830,018	¥ 870,676	*¥ 764,244*	¥ 690,502	¥ 660,659	**$ 8,429,698**
	(34.9%)	(35.6%)	(36.2%)	*(35.0%)*	(34.3%)	(35.1%)	
Powertrain Control Systems	**580,826**	514,604	500,892	*460,974*	402,829	357,123	**5,479,491**
	(22.7)	(22.1)	(20.8)	*(21.1)*	(20.0)	(19.0)	
Electronic Systems	**378,835**	345,543	353,052	*324,274*	315,740	294,177	**3,573,915**
	(14.8)	(14.8)	(14.7)	*(14.8)*	(15.6)	(15.6)	
Electric Systems	**293,372**	269,567	288,004	*261,097*	250,136	243,150	**2,767,660**
	(11.4)	(11.5)	(12.0)	*(12.0)*	(12.4)	(12.9)	
Small Motors	**181,634**	171,914	167,460	*156,810*	156,608	142,493	**1,713,528**
	(7.1)	(7.4)	(7.0)	*(7.2)*	(7.8)	(7.6)	
ITS	**92,521**	60,328	57,015	*55,878*	39,438	29,183	**872,840**
	(3.6)	(2.6)	(2.4)	*(2.6)*	(2.0)	(1.5)	
Other Automotive	**35,444**	30,816	22,562	*21,806*	15,908	14,702	**334,377**
	(1.4)	(1.3)	(1.0)	*(1.0)*	(0.8)	(0.8)	
Automotive sub-total	**2,456,180**	2,222,790	2,259,661	*2,045,083*	1,871,161	1,741,487	**23,171,509**
	(95.9)	(95.3)	(94.1)	*(93.7)*	(92.9)	(92.5)	
Industrial Systems and Consumer Products	**53,686**	53,353	48,167	*45,530*	42,800	38,373	**506,472**
	(2.1)	(2.3)	(2.0)	*(2.1)*	(2.1)	(2.0)	
Others	**52,545**	56,617	93,270	*92,449*	101,017	103,547	**495,708**
	(2.0)	(2.4)	(3.9)	*(4.2)*	(5.0)	(5.5)	
New businesses sub-total	**106,231**	109,970	141,437	*137,979*	143,817	141,920	**1,002,180**
	(4.1)	(4.7)	(5.9)	*(6.3)*	(7.1)	(7.5)	
Total	**¥2,562,411**	¥2,332,760	¥2,401,098	*¥2,183,062*	¥2,014,978	¥1,883,407	**$24,173,689**
	(100.0)	(100.0)	(100.0)	*100.0*	(100.0)	(100.0)	

Notes: 1. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year end to March 31 from December 31.
**1 The italicized figures for the year ended March 31, 2002 represent unaudited amounts calculated by management to reflect comparative income statement information including the results of these overseas companies for the 12-month period ended December 31, 2001.*
2. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥106=US$1, the approximate exchange rate prevailing on March 31, 2004, the last trading day of the fiscal year.

						Millions of yen	Thousands of U.S. dollars
2000	1999	1998	1997	1996	1995 (3 months)	1994	**2004**
¥1,883,407	¥1,758,842	¥1,667,311	¥1,624,906	¥1,422,607	¥ 339,337	¥1,412,203	**$24,173,689**
1,161,016	1,104,579	1,135,834	1,153,392	1,035,664	278,372	1,066,876	**13,609,859**
722,391	654,263	531,477	471,514	386,943	60,965	345,327	**10,563,830**
116,682	101,663	112,786	132,383	87,022	25,925	82,632	**1,779,802**
61,913	58,969	71,158	71,376	49,845	7,442	37,224	**1,037,991**
2,154,251	1,917,192	1,745,329	1,701,825	1,576,979	1,542,975	1,487,836	**23,834,925**
1,304,400	1,121,171	1,057,173	978,378	904,100	861,928	839,531	**14,240,462**
169,953	212,745	177,757	124,789	96,632	15,500	62,064	**1,853,406**
134,706	124,289	103,068	94,890	91,167	21,275	105,594	**1,426,123**
160,055	154,207	157,615	151,928	130,827	32,133	119,043	**2,027,519**
196,020	155,540	148,735	197,860	165,396	27,029	152,487	**2,186,925**
						Yen	U.S. dollars
¥ 68.15	¥ 65.46	¥ 79.93	¥ 81.68	¥ 57.33	¥ 8.57	¥ 44.27	**$ 1.23**
66.73	63.51	76.31	76.24	53.52	—	—	**1.23**
17.00	15.00	15.00	16.00	14.00	3.50	15.00	**0.23**
1,426.70	1,238.33	1,178.53	1,110.25	1,039.37	991.49	970.69	**17.07**
3.3	3.4	4.3	4.4	3.5	2.2	2.6	
227.1	223.2	209.2	211.4	251.9	232.0	235.4	
77.1	77.4	73.8	70.6	73.1	76.7	79.0	
4.9	5.4	7.0	7.6	5.6	0.9	4.6	
908,519	900,836	890,226	873,869	869,442	868,517	840,928	
80,795	72,359	57,084	56,961	56,385	57,264	55,901	

3. The closing date of the fiscal period was changed from December 31 to March 31 in 1995. That change resulted in an irregular 3-month, fiscal period (from January 1, 1995 to March 31, 1995).

4. The figures for net sales and net income in the 3-month fiscal period ended March 31, 1995, do not include the accounts of overseas consolidated subsidiaries.

5. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥106=US$1, the approximate exchange rate prevailing on March 31, 2004, the last trading day of the fiscal year.

SALES BY COMPANY LOCATION

			Millions of yen							Thousands of U.S. dollars
			2004	2003	2002	*2002*1 unaudited*	2001	2000	1999	**2004**
Sales	Japan	Customers	**¥1,469,552**	¥1,355,925	¥1,304,249	*¥1,304,249*	¥1,277,731	¥1,192,778	¥1,145,119	**$13,863,698**
		Intersegment	**416,245**	374,770	338,858	*338,858*	301,300	276,075	255,735	**3,926,840**
		Total	**1,885,797**	1,730,695	1,643,107	*1,643,107*	1,579,031	1,468,853	1,400,854	**17,790,538**
	The Americas	Customers	**549,208**	531,303	630,714	*501,831*	457,627	432,111	431,868	**5,181,208**
		Intersegment	**8,532**	9,267	12,602	*10,082*	9,802	7,304	6,637	**80,490**
		Total	**557,740**	540,570	643,316	*511,913*	467,429	439,415	438,505	**5,261,698**
	Europe	Customers	**333,486**	269,499	304,194	*238,238*	158,205	167,913	138,443	**3,146,094**
		Intersegment	**4,809**	4,489	5,073	*4,058*	1,708	572	598	**45,368**
		Total	**338,295**	273,988	309,267	*242,296*	159,913	168,485	139,041	**3,191,462**
	Asia & Oceania	Customers	**210,165**	176,033	161,941	*138,744*	121,415	90,605	43,412	**1,982,689**
		Intersegment	**13,438**	9,837	7,456	*5,965*	6,878	7,501	826	**126,773**
		Total	**223,603**	185,870	169,397	*144,709*	128,293	98,106	44,238	**2,109,462**
	Eliminations		**(443,024)**	(398,363)	(363,989)	*(358,963)*	(319,688)	(291,452)	(263,796)	**(4,179,471)**
	Consolidated		**¥2,562,411**	¥2,332,760	¥2,401,098	*¥2,183,062*	¥2,014,978	¥1,883,407	¥1,758,842	**$24,173,689**

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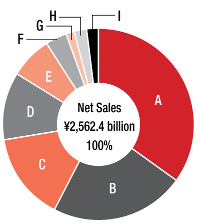
MANAGEMENT'S DISCUSSION AND ANALYSIS

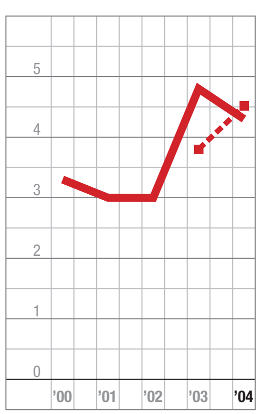
Net Sales by Business Segment



A	Thermal Systems	34.9%
B	Powertrain Control Systems	22.7%
C	Electronic Systems	14.8%
D	Electric Systems	11.4%
E	Small Motors	7.1%
F	ITS	3.6%
G	Other Automotive	1.4%
H	Industrial Systems and Consumer Products	2.1%
I	Others	2.0%

Return on Sales

%



*The broken line excludes non-recurring extraordinary items

BUSINESS OVERVIEW

During the year ended March 31, 2004, although there were initially concerns about the impact on the global economy of the war in Iraq and the severe acute respiratory syndrome (SARS) outbreak, these issues were resolved comparatively quickly, paving the way for a recovery that began in the middle of the year. In Japan, the economy posted its second straight year of growth, supported by robust exports and capital expenditures.

In Japan, the U.S., and Western Europe, car sales were sluggish during the year under review. In Asia, although some countries recorded a drop in sales, including South Korea due to an unstable political environment, the overall picture was generally positive, with rising sales centered on China. Consequently, global car sales were higher than the previous fiscal year. In Japan, car production exceeded 10 million units for the second year in a row, as expanding markets in Asia and strong demand for Japanese-made vehicles in Europe fueled a high level of exports.

In this environment, DENSO actively focused on a number of areas in order to strengthen the Group's operating structure. Key strategies included maximizing Group-wide resources and capabilities to drive growth; promoting world-leading manufacturing methods; and, establishing a robust business structure tailored to global operations.

As a result of these and other actions, operating income increased 18.0% to ¥188.6 billion and net income dipped 0.9% to ¥110.0 billion, on net sales of ¥2,562.4 billion, up 9.8% year on year. The increase in net sales was primarily due to higher vehicle production in Japan, Europe and Asia & Oceania, and aggressive efforts to boost sales to automakers. The rise in operating income was chiefly attributable to higher margins due to improved capacity utilization as sales rose, cost reduction initiatives, and other efforts to streamline operations and enhance efficiency. Although net income declined marginally, this was mainly the result of significant non-recurring items recorded under other income in the previous year, including a gain on exemption from future pension obligation of the governmental program. Excluding non-recurring items in the previous year and the year under review, net income rose 30.7% to ¥116.1 billion.

NET SALES

Consolidated net sales increased 9.8%, or ¥229.7 billion, to ¥2,562.4 billion.

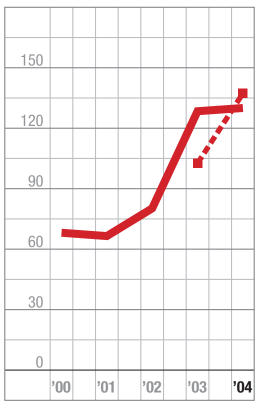
BY GEOGRAPHIC SEGMENT

In Japan, sales grew 9.0%, or ¥155.1 billion, to ¥1,885.8 billion. Key factors driving this increase were replacement demand in the truck sector spurred by the introduction of new regulations for exhaust gas emissions, higher sales in the growing ITS field, which includes car navigation and ETC products, success in winning new business, and rising exports due to robust demand for components used in overseas final assembly. In the Americas, although DENSO had to contend with the effects of an appreciating yen, sales increased 3.2%, or ¥17.1 billion, to ¥557.7 billion, on the back of higher output at Japanese automakers in the region and success in raising sales to other customers. In Europe, the weaker yen against European currencies, rising vehicle production and new supply contracts supported a 23.5%, or ¥64.3 billion, surge in sales, to ¥338.3 billion. In Asia & Oceania, as in other regions, higher vehicle production and success in winning new orders contributed to a 20.3%, or ¥37.7 billion, rise in sales to ¥223.6 billion.

BY BUSINESS SEGMENT

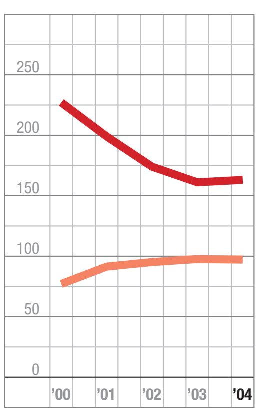
In the year under review, DENSO recorded a ¥233.4 billion increase in net sales in the automotive field, approximately 90% of which was generated by the following five business segments. Thermal Systems: sales rose 7.7% to ¥893.6 billion due to rising exports, higher sales in North America and higher production by Japanese automakers in Europe. Powertrain Control Systems: strong demand for diesel engine-related

Earnings per Share
Yen



* The broken line excludes non-recurring extraordinary items

Current Ratio/ Fixed Ratio
%



products, as well as system control components such as IAFMs, transmission control components and VCT components, pushed sales 12.9% up year on year to ¥580.8 billion. Electronic Systems: sales rose 9.6% to ¥378.8 billion, thanks to strong demand for instrument clusters, engine ECUs, IC devices, sensors and other components, on the back of higher domestic vehicle production and rising demand for automotive electronics. Electric Systems: sales grew 8.8% to ¥293.4 billion, chiefly due to success in winning new contracts for airbag sensors and actuators, and higher sales of other safety products such as ABS actuators and ECUs. Intelligent Transport Systems (ITS): sales surged 53.4% to ¥92.5 billion as sales of car navigation systems to Toyota, Ford and General Motors grew and demand for ETC products in Japan expanded.

OPERATING INCOME

Operating income rose 18.0%, or ¥28.8 billion, to ¥188.6 billion.

BY GEOGRAPHIC SEGMENT

Operating income in Japan rose 24.5%, or ¥30.3 billion, to ¥153.5 billion, primarily reflecting higher margins due to improved capacity utilization as sales rose, and efforts to rationalize operations. In the Americas, operating income declined 11.9%, or ¥3.4 billion, to ¥24.8 billion. Although improved capacity utilization resulted in higher margins, this was outweighed by the negative impact of the appreciating yen against the U.S. dollar, higher personnel costs and other factors. In Europe, DENSO posted an operating loss of ¥4.3 billion, ¥0.3 billion more than in the previous period. As in other regions, rising sales led to higher capacity utilization and margins, and operations in Italy posted an improvement in profitability. Despite these and other positive factors, up-front investment related to a new plant in the Czech Republic and the switch to production of common rail diesel injection systems at a plant in Hungary had a negative impact on profitability. In Asia & Oceania, operating income increased 20.6%, or ¥2.5 billion, to ¥14.9 billion. Again, this was due to improved capacity utilization in line with higher sales and initiatives to rationalize operations, despite the negative impact of investment related to bringing a new plant on stream in Thailand.

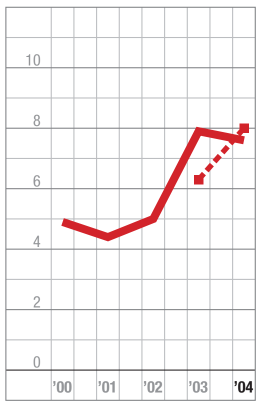
OTHER INCOME (EXPENSES)

DENSO recorded net other expenses of ¥2.8 billion, compared to net other income of ¥73.6 billion in the previous period. Non-recurring items had the greatest impact with a net negative effect of ¥10.4 billion, primarily including loss on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets of ¥12.1 billion; gain on exemption from future pension obligation of the governmental program of ¥1.4 billion; and, other income, net of ¥0.3 billion. This compared with the previous fiscal year when non-recurring items had a net positive effect of ¥67.2 billion, resulting from a gain on exemption from future pension obligation of the governmental program of ¥112.2 billion; gain on transfer to defined contribution pension plans of ¥6.2 billion; impairment loss on goodwill of ¥37.2 billion in subsidiaries in Italy and other countries; restructuring charges of ¥6.9 billion; loss on redemption of bonds of ¥5.0 billion; and, other expenses, net of ¥2.1 billion.

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

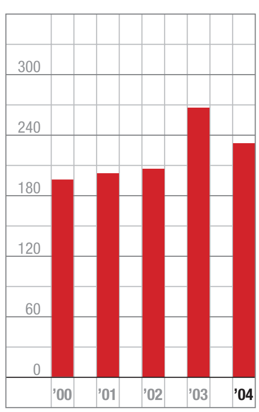
Income before income taxes and minority interests declined 20.4%, or ¥47.7 billion, to ¥185.8 billion, reflecting the factors outlined above.

Return on Equity
%



*The broken line excludes non-recurring extraordinary items

Net Cash Provided by Operating Activities
Billions of Yen



INCOME TAXES

Income taxes for the year under review declined 41.7%, or ¥49.0 billion, to ¥68.4 billion. The actual effective tax rate was 36.8%, compared with 50.2% in the previous period, mainly due to items that were not recognized as deferred tax assets in the previous period such as impairment loss on goodwill, as well as changes to tax regulations that resulted in a larger amount of tax-deductible research and development expenses.

MINORITY INTERESTS IN NET INCOME

Minority interests in net income increased 43.4%, or ¥2.3 billion, to ¥7.4 billion.

NET INCOME

DENSO recorded net income of ¥110.0 billion for the year ended March 31, 2004, 0.9%, or ¥1.0 billion, less than in the previous period. ROE decreased from 7.9% to 7.6%, while net income per share of common stock increased from ¥128.37 to ¥130.02. Fully diluted net income per share of common stock was ¥130.01, against ¥126.65 in the previous period.

Excluding non-recurring items in other income and expenses, net income was ¥116.1 billion, ROE 8.0%, net income per share ¥137.27, and fully diluted net income per share ¥137.27. Non-recurring items had a net negative effect of ¥10.4 billion, primarily as a result of loss on settlement of the substitutional portion of the governmental pension program due to return of corresponding plan assets of ¥12.1 billion; gain on exemption from future pension obligation of the governmental program of ¥1.4 billion; and, other income, net of ¥0.3 billion.

POLICY ON ALLOCATION OF EARNINGS

DIVIDENDS

DENSO is committed to paying shareholders a stable dividend over the long term, while taking into consideration the company's operating results and the dividend payout ratio. In line with this policy, DENSO has set a dividend applicable to the fiscal year that represents a payout ratio of 25.1% of non-consolidated net income. As a result, the non-consolidated annual dividend for the year ended March 31, 2004 is ¥24.00 per share, an increase of ¥4 per share compared with the previous fiscal year.

TREASURY STOCK REPURCHASES

During the year under review, DENSO repurchased 9.5 million shares of stock at an aggregate cost of ¥19.4 billion, as part of the strategy to increase ROE and return profits to shareholders. DENSO has repurchased a total of 122.7 million shares, including repurchases made in the year under review at an aggregate cost of ¥240.3 billion, since the beginning of its share buyback program in the year ended March 31, 1997. This represents 14% of all DENSO's outstanding shares in the year ended March 31, 1996. In the future, while giving due consideration to cash flows, DENSO will maintain this strategy as an important tool in improving ROE and increasing shareholder value.

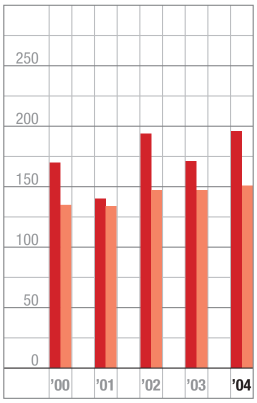
SOURCE OF FUNDS AND LIQUIDITY RISK MANAGEMENT

DENSO's fundamental financial policy is designed to: ensure efficient funding of the operational activities of the entire DENSO Group; secure an optimum level of funds and liquidity; and maintain a sound financial position.

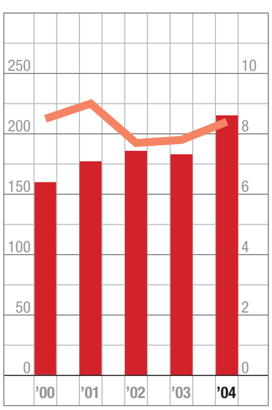
GLOBAL CASH MANAGEMENT SYSTEM

A subsidiary to conduct the accounting operations of DENSO Corporation, DENSO Finance & Accounting Center Co., Ltd., has been established in Japan, together with regional headquarter subsidiaries in North

Capital Expenditures/ Depreciation
Billions of Yen



R&D Expenditures
Billions of Yen/%



America, Europe and Asia. By integrating financing functions at these locations, DENSO is creating a structure that enables the optimum management of Group-wide funds. Based on this structure, in which each subsidiary is responsible for managing funds within its respective region, DENSO can procure capital resources and manage excess or deficient funds in a more centralized manner.

Monthly reports on the financial positions of each operating region are submitted to head office, facilitating financial monitoring on a global basis and supporting the management of related risks. This framework allows management to take appropriate actions in response to fiscal conditions as required.

FINANCIAL POSITION

Total assets as of March 31, 2004, stood at ¥2,526.5 billion, 7.3%, or ¥171.8 billion, higher than at the end of the previous fiscal year.

Current assets increased 6.5%, or ¥64.3 billion, to ¥1,059.0 billion, primarily attributable to a ¥55.5 billion increase in notes and accounts receivable in line with the growth in sales.

Net property, plant, and equipment (net of accumulated depreciation) increased 2.5%, or ¥19.0 billion, to ¥777.1 billion. This was mainly attributable to an increase in machinery and equipment of ¥21.2 billion.

Investments and other assets increased 14.7%, or ¥88.6 billion, to ¥690.4 billion. This mainly reflected a decline of ¥15.9 billion in prepaid pension cost, and a drop in other assets of ¥20.2 billion, offset by other items such as an increase of ¥124.0 billion in investment securities due to a rise in net unrealized gains and other factors.

The total of current and long-term liabilities rose 6.2%, or ¥55.0 billion year on year, to ¥945.1 billion. This was mainly due to a decline in the current portion of long-term debt of ¥41.5 billion, outweighed by increases in notes and accounts payable of ¥38.2 billion, short-term borrowings of ¥16.1 billion, long-term debt of ¥14.4 billion, and other items.

Total shareholders' equity was ¥1,509.5 billion, an 8.0%, or ¥111.6 billion, increase compared with the end of the previous fiscal period. This mainly reflected an increase in net income of ¥110.0 billion and an increase in net unrealized gain on available-for-sale securities of ¥69.4 billion, against a decrease in foreign currency translation adjustments of ¥30.1 billion and payments of ¥19.4 billion for stock repurchases. As a result, the shareholders' equity ratio rose from 59.4% to 59.7%.

CASH FLOWS

Net cash provided by operating activities for the fiscal year ended March 31, 2004 was ¥231.8 billion, 13.3%, or ¥35.5 billion, less than the previous fiscal year. This decline was chiefly attributable to cash outflows for an increase in notes and accounts receivable of ¥65.5 billion, a difference of ¥70.2 billion from the decrease of ¥4.7 billion in these receivables in the previous fiscal year, and an increase in inventories of ¥26.1 billion, ¥13.5 billion more than the increase of ¥12.6 billion one year earlier, against a rise in operating income of ¥28.8 billion.

Investing activities used net cash of ¥194.7 billion, 7.6%, or ¥16.0 billion, less than the previous fiscal year. This primarily reflected an increase of ¥17.1 billion in cash used for the acquisition of property, plant and equipment, against net proceeds from the purchase and sale of available-for-sale securities of ¥3.3 billion, ¥25.9 billion more than net payments of ¥22.6 billion in the previous period.

Net cash used in financing activities was ¥49.0 billion, 33.8%, or ¥25.0 billion, less than the previous year. This was mainly attributable to ¥40.0 billion used for the repayments of long-term bonds, a difference of ¥75.0 billion compared with the net proceeds from issuance and repayments of long-term bonds in the previous period, against a ¥41.9 billion increase in funds procured through short-term borrowings and long-term borrowings.

As a result, cash and cash equivalents as of March 31, 2004 stood at ¥244.5 billion, 5.9%, or ¥15.3 billion, less than at the end of the previous period.

CAPITAL EXPENDITURES / DEPRECIATION

DENSO applies a number of benchmarks to ensure appropriate decisions are made related to capital expenditures. These benchmarks include projected cash flow, ROA, number of years to recover investments, and forecasts of profitability. As part of its efforts to pare back medium-term fixed costs, DENSO is reducing the size and complexity of production lines, standardizing components, and using global procurement to achieve a reduction in capital expenditures of more than 30%.

Capital expenditures during the year under review totaled ¥196.4 billion, a 14.8%, or ¥25.3 billion increase on the previous fiscal year. Depreciation increased 3.1%, or ¥4.5 billion year on year, to ¥151.1 billion.

BY GEOGRAPHIC SEGMENT

In Japan, capital expenditures increased 10.3%, or ¥11.2 billion, to ¥121.3 billion, while in the Americas, capital expenditures rose 7.4%, or ¥1.9 billion, to ¥27.0 billion, due to preparations related to the start of air conditioner and radiator manufacturing at DENSO Manufacturing Arkansas, Inc. in the U.S., and other investment projects. In Europe, capital expenditures declined 11.5%, or ¥2.8 billion, to ¥21.7 billion as preparations to bring the production of common rail diesel injection systems and VCT components at DENSO Manufacturing Hungary Ltd. on stream in the previous year gradually wound down in the year under review. In Asia & Oceania, capital expenditures surged 132.0%, or ¥15.0 billion, to ¥26.4 billion, mainly due to the installation of manufacturing equipment at Siam DENSO Manufacturing Co., Ltd. for the production of common rail diesel injection systems and fuel injectors.

Depreciation by region was as follows: 1.6% higher in Japan, at ¥108.0 billion; 7.8% lower in the Americas, at ¥19.2 billion; 32.7% higher in Europe, at ¥15.1 billion; and, 8.7% higher in Asia & Oceania, at ¥8.8 billion.

RESEARCH AND DEVELOPMENT (R&D) ACTIVITIES

DENSO's R&D framework is built around the DENSO Research Laboratories, its basic research facility, Corporate R&D Departments, and R&D sections in production fields controlled by each business segment. In the field of basic research, DENSO seeks to identify long-term trends in the automotive industry, build up core technologies in key business fields, and develop innovative technologies to drive growth in new businesses. Corporate R&D Departments, meanwhile, are responsible for carrying out research in emerging fields and developing products that span multiple business segments. R&D sections in respective production fields carry out the development of next-generation products, and work closely with their counterparts in other fields. Overseas research facilities are located in the United States and Germany, and are mainly responsible for monitoring local market needs and the latest automotive industry developments.

In the year under review, DENSO established a joint venture—Advanced Driver Information Technology Corporation (ADIT)—with Robert Bosch GmbH of Germany, primarily to develop LSIs for car navigation systems and multimedia applications. Leveraging DENSO's advanced digital map imaging and other technologies, and Robert Bosch's powerful position in the European market, ADIT will develop navigation system LSIs and multimedia-compliant software platforms, as well as carry out research into map data formats. Both partners will use the results of this joint R&D effort to develop new products.

In the year under review, R&D expenses increased 17.5%, or ¥32.1 billion, to ¥214.9 billion, representing an amount equivalent to 8.4% of net sales, up from 7.8% in the previous period.

RISK MANAGEMENT

EXCHANGE RATE RISK

During the year ended March 31, 2004, the average yen-U.S. dollar and yen-euro exchange rates were ¥112 and ¥131 respectively, representing yen appreciation of 7.4% and yen depreciation of 8.3%, respectively, compared to the previous period.

In its operations, DENSO has to manage exchange rate risk primarily arising from the fact that currencies at manufacturing locations often differ from those at locations where the finished products are sold. In order to obviate this risk, DENSO has introduced a global cash management system, which is employed in line with an overall risk management strategy. In automotive operations overseas, DENSO also seeks to carry out material and parts procurement, product design and manufacturing in locations close to customers in order to minimize the impact of exchange rate fluctuations on operating results.

RISK MANAGEMENT COMMITTEE ESTABLISHED

In order to minimize the increasingly wide range of risks arising from the global nature of its operations, DENSO established a Risk Management Committee in May 2003 to reinforce its capabilities in this area. This committee works to obviate risk wherever possible, and is responsible for implementing initial measures in the event that risk does materialize.

OUTLOOK

The recovery that began in the global economy during the year under review is expected to continue in the fiscal year ending March 31, 2005. In the U.S., the key economy driving growth, economic policy prior to the fall presidential election is anticipated to ensure that the recovery remains robust. In the automotive industry, global car sales are projected to grow year on year, supported by the economic recovery. In Japan, car production is expected to decline slightly as domestic car sales remain flat and exports decline due to a shift in production to overseas plants.

Although DENSO is forecasting rising car sales underpinned by recovery in the global economy, there are still some reasons to be cautious, including the possibility of exchange rate volatility, the geopolitical situation in the Middle East, and the threat of terrorist attacks. Consequently, DENSO will continue to take a cautious approach to business operations in the fiscal year ahead.

In this climate, DENSO will further enhance the competitiveness of its products and implement an aggressive sales strategy. Supported by these and other actions, DENSO is forecasting net sales of ¥2,580.0 billion, an increase of 0.7%, operating income of ¥198.0 billion, up 5.0%, and net income of ¥118.0 billion, 7.2% higher, for the year ending March 31, 2005.

DENSO is projecting net income per share of ¥140.85, capital expenditures of ¥208.0 billion, depreciation of ¥163.0 billion, and R&D expenses of ¥213.0 billion.

(These forecasts have been calculated using yen exchange rates of 1US$=¥105 and 1 euro=¥125)

FORWARD-LOOKING STATEMENTS

The above forecasts are based on information available as of the date of this report. Business performance is vulnerable to a variety of internal and external factors, such as changes in economic conditions, currency exchange rates, and business operations. Accordingly, readers are cautioned that actual results could differ materially from plans and expectations.

CONSOLIDATED BALANCE SHEETS

DENSO CORPORATION and Consolidated Subsidiaries
March 31, 2004 and 2003

ASSETS	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 3) 2004
Current Assets:			
Cash and cash equivalents	**¥ 244,509**	¥ 259,845	**$ 2,306,689**
Short-term investments (Note 4)	**28,709**	35,341	**270,840**
Notes and accounts receivable:			
Trade	**464,965**	415,821	**4,386,462**
Affiliates	**10,474**	4,103	**98,811**
	475,439	419,924	**4,485,273**
Less: Allowance for doubtful accounts	**(2,261)**	(2,397)	**(21,330)**
	473,178	417,527	**4,463,943**
Inventories (Note 5)	**214,751**	196,581	**2,025,953**
Deferred income taxes (Note 6)	**43,745**	39,495	**412,689**
Other current assets	**54,104**	45,901	**510,415**
Total current assets	**1,058,996**	994,690	**9,990,529**
Property, Plant and Equipment (Note 8)**:**			
Buildings and structures	**563,439**	549,811	**5,315,462**
Machinery and equipment	**1,766,964**	1,695,672	**16,669,472**
	2,330,403	2,245,483	**21,984,934**
Less: Accumulated depreciation	**(1,758,281)**	(1,697,389)	**(16,587,557)**
	572,122	548,094	**5,397,377**
Land	**142,858**	138,283	**1,347,717**
Construction in progress	**62,076**	71,701	**585,623**
Net property, plant and equipment	**777,056**	758,078	**7,330,717**
Investments and Other Assets:			
Investment securities (Note 4)	**516,226**	392,232	**4,870,057**
Investments in and advances to affiliates	**38,077**	39,126	**359,217**
Prepaid pension cost (Note 9)	**84,250**	100,135	**794,811**
Intangible assets	**9,964**	8,218	**94,000**
Other assets (Note 6)	**41,933**	62,178	**395,594**
Total investments and other assets	**690,450**	601,889	**6,513,679**
Total	**¥2,526,502**	¥2,354,657	**$23,834,925**

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 3) 2004
Current Liabilities:			
Short-term borrowings (Notes 7 and 8)	**¥ 49,996**	¥ 33,898	**$ 471,660**
Current portion of long-term debt (Notes 7 and 8)	**3,325**	44,805	**31,368**
Notes and accounts payable:			
Trade	**320,908**	284,994	**3,027,434**
Affiliates	**23,766**	21,433	**224,208**
	344,674	306,427	**3,251,642**
Income taxes payable	**43,556**	40,342	**410,906**
Accrued expenses	**105,187**	97,068	**992,330**
Accrued bonuses to employees	**49,262**	46,356	**464,736**
Other current liabilities (Notes 6 and 9)	**53,817**	48,164	**507,708**
Total current liabilities	**649,817**	617,060	**6,130,350**
Long-Term Liabilities:			
Long-term debt (Notes 7 and 8)	**122,826**	108,404	**1,158,736**
Liability for employees' retirement benefits (Note 9)	**143,160**	140,546	**1,350,566**
Other long-term liabilities (Notes 6 and 9)	**29,275**	24,101	**276,179**
Total long-term liabilities	**295,261**	273,051	**2,785,481**
Minority Interests	**71,935**	66,658	**678,632**
Contingent Liabilities (Note 10)			
Shareholders' Equity (Note 11)**:**			
Common stock:			
Authorized: 1,426,942,000 shares in 2004 and 2003			
Issued: 884,068,713 shares in 2004 and 2003	**187,457**	187,457	**1,768,462**
Capital surplus	**266,005**	266,005	**2,509,481**
Retained earnings	**1,080,996**	989,198	**10,198,076**
Net unrealized gain on available-for-sale securities	**142,588**	73,237	**1,345,170**
Foreign currency translation adjustments	**(70,577)**	(40,452)	**(665,821)**
Treasury stock at cost: 50,195,355 shares in 2004 and 40,716,911 shares in 2003	**(96,980)**	(77,557)	**(914,906)**
Total shareholders' equity	**1,509,489**	1,397,888	**14,240,462**
Total	**¥2,526,502**	¥2,354,657	**$23,834,925**

CONSOLIDATED STATEMENTS OF INCOME

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2004	2003	2002	**2004**
Net Sales (Note 12)	**¥2,562,411**	¥2,332,760	¥2,401,098	**$24,173,689**
Cost of Sales (Note 13)	**2,128,604**	1,948,636	2,047,171	**20,081,170**
Gross profit	**433,807**	384,124	353,927	**4,092,519**
Selling, General and Administrative Expenses (Note 13)	**245,148**	224,231	220,587	**2,312,717**
Operating income	**188,659**	159,893	133,340	**1,779,802**
Other Income (Expenses):				
Interest and dividend income	**8,311**	9,358	10,033	**78,406**
Interest expense	**(3,448)**	(4,103)	(5,851)	**(32,528)**
Equity in earnings of affiliates	**2,333**	2,322	2,408	**22,009**
Foreign exchange (loss) gain	**(1,171)**	(1,156)	3,243	**(11,047)**
Gain on exemption from future pension obligation of the governmental program (Note 9)	**1,429**	112,172	—	**13,481**
Gain on transfer to defined contribution pension plans (Note 9)	**667**	6,206	—	**6,292**
Loss on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets (Note 9)	**(12,132)**	—	—	**(114,453)**
Loss on redemption of bonds (Note 7)	**—**	(4,964)	—	**—**
Restructuring charges	**—**	(6,912)	(4,382)	**—**
Impairment loss on goodwill	**—**	(37,226)	—	**—**
Other, net	**1,244**	(2,056)	192	**11,736**
Total	**(2,767)**	73,641	5,643	**(26,104)**
Income before income taxes and minority interests	**185,892**	233,534	138,983	**1,753,698**
Income Taxes (Note 6)**:**				
Current	**88,990**	78,193	65,877	**839,528**
Deferred	**(20,579)**	39,126	(2,841)	**(194,142)**
Total	**68,411**	117,319	63,036	**645,386**
Minority Interests in Net Income	**7,454**	5,197	3,634	**70,321**
Net income	**¥ 110,027**	¥ 111,018	¥ 72,313	**$ 1,037,991**

			Yen	U.S. dollars (Note 3)
Per Share of Common Stock (Notes 2 (O) and 17)**:**				
Basic net income	**¥ 130.02**	¥ 128.37	¥ 80.22	**$1.23**
Fully diluted net income	**130.01**	126.65	78.93	**1.23**
Cash dividends applicable to the year	**24.00**	20.00	18.00	**0.23**
Average Number of Shares (in thousands)	**842,005**	860,828	901,489	

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Common Stock:				
Balance at beginning of period	**¥ 187,457**	¥ 173,098	¥ 173,098	**$ 1,768,462**
Conversion of convertible bonds	**—**	14,359	0	**—**
Balance at end of period	**¥ 187,457**	¥ 187,457	¥ 173,098	**$ 1,768,462**
Capital Surplus:				
Balance at beginning of period	**¥ 266,005**	¥ 251,644	¥ 251,643	**$ 2,509,481**
Gain on disposal of treasury stock	**—**	20	—	**—**
Conversion of convertible bonds	**—**	14,341	1	**—**
Balance at end of period	**¥ 266,005**	¥ 266,005	¥ 251,644	**$ 2,509,481**
Retained Earnings:				
Balance at beginning of period	**¥ 989,198**	¥ 895,522	¥ 924,467	**$ 9,332,057**
Net income	**110,027**	111,018	72,313	**1,037,991**
Retirement of treasury stock	**—**	—	(84,923)	**—**
Cash dividends	**(17,711)**	(16,848)	(16,452)	**(167,085)**
Bonuses to directors and corporate auditors	**(518)**	(465)	(435)	**(4,887)**
Decrease in retained earnings due to change of consolidation scope	**—**	(29)	—	**—**
Other	**—**	—	552	**—**
Balance at end of period	**¥1,080,996**	¥ 989,198	¥ 895,522	**$10,198,076**
Net Unrealized Gain on Available-for-sale Securities at End of Period	**¥ 142,588**	¥ 73,237	¥ 116,827	**$ 1,345,170**
Foreign Currency Translation Adjustments at End of Period	**¥ (70,577)**	¥ (40,452)	¥ (14,634)	**$ (665,821)**
Treasury Stock:				
Balance at beginning of period	**¥ (77,557)**	¥ (1,245)	¥ (748)	**$ (731,670)**
Repurchase of treasury stock	**(19,391)**	(76,123)	(507)	**(182,934)**
Other increase/decrease in treasury stock	**(32)**	(189)	10	**(302)**
Balance at end of period	**¥ (96,980)**	¥ (77,557)	¥ (1,245)	**$ (914,906)**
Total Shareholders' Equity at End of Period	**¥1,509,489**	¥1,397,888	¥1,421,212	**$14,240,462**

	Thousands of shares		
Outstanding Number of Shares:			
Balance at beginning of period	**843,352**	865,686	913,991
Repurchase of treasury stock	**(9,462)**	(40,000)	(307)
Issued on conversion of convertible bonds	**—**	17,793	1
Retirement of treasury stock	**—**	—	(48,000)
Other increase/decrease in treasury stock	**(17)**	(127)	1
Balance at end of period	**833,873**	843,352	865,686

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	**2004**
Operating Activities:				
Income before income taxes and minority interests	**¥185,892**	¥233,534	¥138,983	**$1,753,698**
Adjustments for:				
Payment of income taxes	**(85,063)**	(62,483)	(72,464)	**(802,481)**
Depreciation	**151,169**	146,651	147,277	**1,426,123**
Amortization of goodwill including impairment	**425**	37,349	4,785	**4,009**
Increase (Decrease) in liability for retirement benefits	**2,859**	(37,936)	2,912	**26,972**
Equity in earnings of affiliates	**(2,333)**	(2,322)	(2,408)	**(22,009)**
Loss on sale or disposal of property, plant and equipment, net	**4,130**	4,691	5,691	**38,962**
Foreign exchange (gain) loss	**(749)**	1,004	518	**(7,066)**
Changes in assets and liabilities:				
(Increase) Decrease in notes and accounts receivable	**(65,469)**	4,682	(18,893)	**(617,632)**
(Increase) Decrease in inventories	**(26,097)**	(12,640)	13,003	**(246,198)**
Increase (Decrease) in notes and accounts payable	**41,870**	10,495	(14,201)	**395,000**
(Decrease) Increase in defined contribution pension payable	**(4,741)**	18,063	—	**(44,726)**
Decrease (Increase) in prepaid pension cost	**15,885**	(100,135)	—	**149,858**
Other, net	**14,036**	26,391	1,460	**132,415**
Total adjustments	**45,922**	33,810	67,680	**433,227**
Net cash provided by operating activities	**231,814**	267,344	206,663	**2,186,925**
Investing Activities:				
Acquisition of property, plant and equipment	**(196,443)**	(179,339)	(188,277)	**(1,853,236)**
Proceeds from sale of property, plant and equipment	**9,580**	9,313	12,538	**90,377**
Purchase of available-for-sale securities	**(97,593)**	(53,864)	(39,332)	**(920,689)**
Proceeds from sale and redemption of available-for-sale securities	**100,904**	31,253	74,254	**951,925**
Payment for purchase of consolidated subsidiaries, net of cash acquired	**(883)**	(443)	(342)	**(8,330)**
Other, net	**(10,218)**	(17,538)	(15,098)	**(96,396)**
Net cash used in investing activities	**(194,653)**	(210,618)	(156,257)	**(1,836,349)**
Financing Activities:				
Net increase (decrease) in short-term borrowings	**12,333**	(8,491)	22,355	**116,349**
Proceeds from long-term borrowings	**19,744**	675	3,474	**186,264**
Repayments of long-term borrowings	**(4,741)**	(6,728)	(5,843)	**(44,726)**
Issuance of bonds	**—**	99,985	—	**—**
Repayments of long-term bonds	**(40,000)**	(64,964)	—	**(377,359)**
Dividends paid	**(17,711)**	(16,848)	(16,452)	**(167,085)**
Purchase of treasury stock	**(19,423)**	(76,315)	(85,582)	**(183,236)**
Other, net	**838**	(1,244)	(1,155)	**7,906**
Net cash used in financing activities	**(48,960)**	(73,930)	(83,203)	**(461,887)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(3,537)**	(1,758)	7,117	**(33,368)**
Net Decrease in Cash and Cash Equivalents	**(15,336)**	(18,962)	(25,680)	**(144,679)**
Cash and Cash Equivalents at Beginning of Period	**259,845**	277,894	303,493	**2,451,368**
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	**—**	913	81	**—**
Cash and Cash Equivalents at End of Period	**¥244,509**	¥259,845	¥277,894	**$2,306,689**
Additional cash flow information:				
Non-cash investing and financing activities:				
Conversion of convertible bonds to common stock and capital surplus	**—**	¥ 28,700	¥ 1	**—**
Assets and liabilities increased due to purchase of consolidated subsidiaries:				
Fair value of assets acquired	**¥ 1,708**	¥ 6,508	¥ 1,430	**$ 16,113**
Liabilities assumed	**(411)**	(4,639)	(706)	**(3,877)**
Cash paid for the capital	**1,213**	567	517	**11,443**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from accounts and records maintained by DENSO CORPORATION (the "Company"), and its domestic and foreign consolidated subsidiaries (together, referred to as the "Companies") in accordance with the provisions set forth in the Securities and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts and records of foreign consolidated subsidiaries are maintained in conformity with accounting principles of the countries of their domicile.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. Certain reclassifications of the consolidated financial statements for the years ended March 31, 2003 and 2002 have been made to conform with the presentation for the year ended March 31, 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION AND ACCOUNTING FOR INVESTMENTS IN AFFILIATES

The Company had 164 subsidiaries at March 31, 2004 (155 for 2003 and 153 for 2002).

The Company applied the "control" concept for its consolidation policy. Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are to be fully consolidated. The consolidated financial statements for the year ended March 31, 2004 include all 164 subsidiaries (155 for 2003 and 150 for 2002). The Company applied the "power to exercise significant influence" concept to determine affiliates to be accounted for by the equity method. The Company applied the equity method to all 27 affiliates for the year ended March 31, 2004 (25 affiliates for 2003 and 2002).

The fiscal years of subsidiaries are not necessarily the same as that of the Company. Accounts of subsidiaries, which have different fiscal years, have been adjusted for significant transactions to properly reflect their financial position at March 31 of each year and the results of operations and cash flows for the years then ended. In fiscal 2004, 20 of the Company's foreign subsidiaries and affiliates (6 foreign subsidiaries in 2003 and 45 foreign subsidiaries and affiliates in 2002), which are consolidated or accounted for by the equity method, decided to change their fiscal year-end from December 31 to March 31. The Company's consolidated financial statements thus include 15 months of operating results at the 20 subsidiaries and affiliates that changed their fiscal year-ends in the year ended March 31, 2004 (6 subsidiaries in 2003 and 45 subsidiaries and affiliates in 2002).

Significant intercompany accounts and transactions have been eliminated in consolidation, and the portions attributable to minority interests have been charged against them. The net excess of the acquisition cost of the Company's investments in consolidated subsidiaries and affiliates accounted for under the equity method over the fair value of the net assets of those companies is amortized over the estimated available life or five years.

Investments in non-consolidated subsidiaries are accounted for on the cost basis at March 31, 2002. The effect on the consolidated financial statements of not applying the equity method is immaterial.

(B) TRANSLATION OF FINANCIAL STATEMENTS FOR CONSOLIDATED FOREIGN SUBSIDIARIES

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates at the balance sheet date, except for shareholders' equity, which is translated at the historical rates.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average rates.

(C) CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments that have an original maturity of three months or less as cash equivalents.

(D) INVENTORIES

Inventories other than raw materials are stated principally at cost. Raw materials are valued principally at the lower of cost or market. In both cases, cost is determined by the annual average method.

(E) SECURITIES

All securities are classified as available-for-sale securities and are valued at fair value, with unrealized gains and losses, net of applicable taxes, reported in as a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are valued at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

(F) INTANGIBLE ASSETS
Intangible assets consisted of in-house software and the net excess of the acquisition cost of the Company's investments in consolidated subsidiaries over the fair value of the net assets of those companies. The straight-line method is primarily used to amortize intangible assets. The amortization of in-house software, which is available to reduce operating costs, is computed using the straight-line method based on the estimated useful life of five years.

(G) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION
Property, plant and equipment are stated at cost. Depreciation is computed, with minor exceptions, by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 10 to 45 years for buildings and structures and mainly seven years for machinery. Additional depreciation is charged for machinery operated in excess of normal usage.

(H) TRANSLATION OF FOREIGN CURRENCY ACCOUNTS
All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

(I) INCOME TAXES
The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income.

The asset and liability approach is used to recognize deferred income taxes, which are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Future tax benefits are recognized to the extent that such benefits are likely to be realized.

(J) LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS
The Companies accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

(K) APPROPRIATIONS OF RETAINED EARNINGS
Appropriations of retained earnings at each year-end are reflected in the financial statements for the following year on shareholders' approval.

(L) RESEARCH AND DEVELOPMENT EXPENSES
Research and development expenses are charged to income as incurred.

(M) LEASES
Leases are accounted for mainly as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(N) DERIVATIVE FINANCIAL INSTRUMENTS
Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts, interest rate and currency swap contracts and foreign currency swap contracts employed to hedge foreign exchange exposures to the consolidated subsidiaries are measured at fair value, and the unrealized gains/losses are recognized in income.

Interest rate swaps are utilized to hedge interest rate exposures of financial assets and long-term debt (bonds). These swaps, which qualify for hedge accounting, are measured at market value at the balance sheet date and the unrealized gains and losses are deferred until maturity as other liability or asset.

(O) NET INCOME AND DIVIDENDS PER SHARE

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits. Prior to April 1, 2002, no adjustment was made to net income. The effect of this change was not material.

Fully diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Fully diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. U.S. DOLLAR AMOUNTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to U.S.$1, the approximate rate of exchange at March 31, 2004, the last trading day of the fiscal year. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments consisted of time deposits not classified as cash equivalents and debt securities.

Investment securities consisted of equity securities and debt securities.

The carrying amounts and aggregate fair values of available-for-sale securities included in short-term investments and in investment securities at March 31, 2004 and 2003 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cost	Unrealized Gain	Unrealized Loss	Fair Value
				2004				**2004**
Equity securities	**¥138,737**	**¥236,751**	**¥ (62)**	**¥375,426**	**$1,308,840**	**$2,233,500**	**$ (585)**	**$3,541,755**
Debt securities	**140,788**	**1,137**	**(89)**	**141,836**	**1,328,189**	**10,726**	**(840)**	**1,338,075**
Total	**¥279,525**	**¥237,888**	**¥(151)**	**¥517,262**	**$2,637,029**	**$2,244,226**	**$(1,425)**	**$4,879,830**

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
				2003
Equity securities	¥134,950	¥122,165	¥(2,005)	¥255,110
Debt securities	145,128	1,845	(51)	146,922
Total	¥280,078	¥124,010	¥(2,056)	¥402,032

The carrying amounts of available-for-sale securities whose fair value was not readily determinable included in short-term investments and in investment securities at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Equity securities	**¥17,692**	¥17,148	**$166,906**
Debt securities	**2,173**	3,622	**20,500**
Total	**¥19,865**	¥20,770	**$187,406**

The carrying amounts of debt securities by contractual maturities for available-for-sale securities at March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	**¥ 20,756**	**$ 195,811**
Due after one year through five years	**122,186**	**1,152,698**
Due after five years through ten years	**1,067**	**10,066**
Total	**¥144,009**	**$1,358,575**

5. INVENTORIES

Inventories at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Finished products	**¥ 92,889**	¥ 85,178	**$ 876,311**
Work in process	**59,663**	52,925	**562,859**
Raw materials and supplies	**62,199**	58,478	**586,783**
Total	**¥214,751**	¥196,581	**$2,025,953**

6. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in aggregate, resulted in normal statutory tax rates of approximately 41% for the years ended March 31, 2004, 2003 and 2002.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Deferred tax assets:			
Depreciation	**¥ 60,421**	¥ 59,631	**$ 570,009**
Retirement benefits	**45,182**	38,451	**426,245**
Accrued bonuses to employees	**19,106**	15,906	**180,245**
Long-term prepaid expenses	**11,548**	15,536	**108,943**
Accrued contributions of transfer to defined contribution pension plans	**5,313**	—	**50,123**
Other	**46,965**	42,891	**443,067**
Less: Valuation allowance	**(6,637)**	(7,692)	**(62,613)**
Total deferred tax assets	**¥181,898**	¥164,723	**$1,716,019**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 94,798**	¥ 48,479	**$ 894,321**
Prepaid pension cost	**25,718**	31,948	**242,623**
Other	**15,559**	12,912	**146,783**
Total deferred tax liabilities	**¥136,075**	¥ 93,339	**$1,283,727**
Net deferred tax assets	**¥ 45,823**	¥ 71,384	**$ 432,292**

Net deferred tax assets are presented in the consolidated balance sheets at March 31, 2004 and 2003 as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Current assets-Deferred income taxes	**¥43,745**	¥39,495	**$412,689**
Investments and other assets-Other assets	**17,456**	37,988	**164,679**
Current liabilities-Other current liabilities	**(85)**	(295)	**(802)**
Long-term liabilities-Other long-term liabilities	**(15,293)**	(5,804)	**(144,274)**
Net deferred tax assets	**¥45,823**	¥71,384	**$432,292**

The reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2004, 2003 and 2002 was as follows:

	2004	2003	2002
Normal effective statutory tax rate	**41.24%**	41.24%	41.24%
Tax credit of R&D expenses and other	**(5.58)**	—	—
Tax benefits not recognized on operating losses of subsidiaries	**2.57**	1.23	1.06
Lower income tax rates applicable to income in certain foreign countries	**(1.67)**	—	—
Adjustment of deferred tax assets due to tax rate change	**—**	1.11	—
Amortization of goodwill	**—**	6.60	1.45
Other	**0.24**	0.06	1.61
Actual effective tax rate	**36.80%**	50.24%	45.36%

Due to revisions to regional tax laws that came into effect on March 31, 2003, the statutory effective tax rate was changed from 41.24% to 39.76% effective for the years beginning April 1, 2004. As a result of this change, net deferred tax assets decreased by ¥794 million, while deferred income taxes and net unrealized gain on available-for-sale securities increased by ¥2,595 million and ¥1,801 million, respectively, at March 31, 2003.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2004 and 2003 consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to short-term borrowings at March 31, 2004 and 2003 were 1.9% and 3.8%, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Unsecured 1.32% yen bonds due 2003	**—**	¥ 40,000	**—**
Unsecured 0.34% yen bonds due 2007	**¥ 50,000**	50,000	**$ 471,698**
Unsecured 1.11% yen bonds due 2012	**50,000**	50,000	**471,698**
Other long-term debt			
(weighted average interest rates of 2.0% in 2004 and 3.2% in 2003)	**26,151**	13,209	**246,708**
Total	**¥126,151**	¥153,209	**$1,190,104**
Less: Current portion	**3,325**	44,805	**31,368**
Long-term debt, less current portion	**¥122,826**	¥108,404	**$1,158,736**

The Company assigned the obligation to repay 1.9% unsecured bonds issued on June 23, 1998 to a financial institution during the year ended March 31, 2003. Accordingly, these bonds have been treated as redeemed and loss on redemption of bonds in the amount of ¥4,964 million was recognized. Contingent liabilities to bond holders with respect to this transaction are described in Note 10.

On June 23, 1998, the Company issued ¥40,000 million in 1.32% unsecured bonds due in June 2003. On November 13, 2002, the Company issued unsecured bonds of ¥50,000 million in 0.34% due in September 2007 and of ¥50,000 million in 1.11% due in September 2012, all payable in Japanese yen. All bonds were issued by public placement.

The aggregate annual maturities of long-term debt subsequent to March 31, 2004 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥ 3,325	$ 31,368
2006	4,685	44,198
2007	3,953	37,293
2008	52,745	497,594
2009	2,884	27,208
2010 and thereafter	58,559	552,443
Total	¥126,151	$1,190,104

8. PLEDGED ASSETS

The following assets were pledged as collateral for short-term borrowings of ¥164 million ($1,547 thousand), current portion of long-term debt of ¥56 million ($528 thousand) and long-term debt of ¥155 million ($1,462 thousand) at March 31, 2004.

	Millions of yen	Thousands of U.S. dollars
Buildings and structures, net of accumulated depreciation	¥1,145	$10,802
Machinery and equipment, net of accumulated depreciation	89	839
Land	3,299	31,123
Total	¥4,533	$42,764

9. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

Employees are generally entitled to lump-sum severance indemnities determined by current basic rates of pay, length of service, and the conditions under which the termination occurs. The Company and its domestic consolidated subsidiaries have unfunded retirement benefit plans and funded non-contributory pension plans for employees. Under the unfunded retirement benefit plans, the amount of severance indemnities to be paid by the Company and domestic subsidiaries is, in most cases, reduced by the benefits payable under the funded pension plan. The foreign consolidated subsidiaries do not recognize such cost. However, certain foreign subsidiaries adopted individual pension plans.

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company implemented a defined contribution pension plan in October 2002 by which a portion of the severance lump-sum payment plan was terminated. The Company applied accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan. The effect of this transfer was to increase income before income taxes and minority interests by ¥6,206 million and was recorded as gain on transfer to a defined contribution pension plan in the statement of income for the year ended March 31, 2003. As a result of this transition, the projected benefit obligations and the unrecognized actuarial losses decreased by ¥32,245 million and ¥1,922 million, respectively, and the liability for employees' retirement benefits decreased by ¥30,323 million at March 31, 2003. Plan assets of ¥24,117 million were to be transferred over a period of four years. At March 31, 2003, plan assets not yet transferred totaled ¥18,063 million were presented as other current liabilities and other long-term liabilities.

The domestic subsidiaries, GAC CORPORATION and ASMO CO., LTD., implemented a defined contribution pension plan in April and October 2003, respectively, by which a portion of the severance lump-sum payment plan was terminated. GAC CORPORATION and ASMO CO., LTD applied accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan. The effects of these transfers were to increase income before income taxes and minority interests by ¥667 million ($6,292 thousand) and were recorded as gain on transfer to defined contribution pension plans in the consolidated statements of income for the year ended March 31, 2004. As a result of this transition, the projected benefit obligations and the unrecognized actuarial losses are decreased by ¥3,323 million ($31,349 thousand) and ¥440 million ($4,151 thousand), respectively, and the liability for employees' retirement benefits decreased by ¥2,883 million ($27,198 thousand) at March 31, 2004. Plan assets of ¥2,217 million ($20,915 thousand) will be transferred over a period of four years.

At March 31, 2004, total plan assets not yet transferred for the three companies amounted to ¥13,322 million ($125,679 thousand) were presented as other current liabilities and other long-term liabilities.

The Company and certain domestic subsidiaries also have contributory funded defined benefit pension plans. The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on April 1, 2002.

As a result of this exemption, the Company recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥112,172 million in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

Following approval on September 1, 2003 from the Ministry of Health, Labor and Welfare for exemption from past pension obligation related to the substitutional portion of the governmental program, the Company returned ¥115,894 million ($1,093,340 thousand) to the government in cash on January 26, 2004. Since the Company applied a transitional measurement of the accounting standard for employees' retirement benefits at the time of approval of exemption from future obligation, the Company recorded a loss on settlement of the substitutional portion of the governmental pension program due to return of corresponding plan assets in the amount of ¥12,132 million ($114,453 thousand) in the consolidated statements of income for the year ended March 31, 2004.

ANDEN CO., LTD. obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on April 15, 2003. As a result of this exemption, ANDEN CO., LTD recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥1,429 million ($13,481 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2004. Estimated plan assets to be returned to the government at March 31, 2004 were ¥1,808 million ($17,057 thousand).

The liability (asset) for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Projected benefit obligation	**¥554,057**	¥458,174	**$5,226,953**
Fair value of plan assets	**(331,105)**	(244,268)	**(3,123,632)**
Unrecognized actuarial loss	**(165,758)**	(176,028)	**(1,563,755)**
Unrecognized prior service benefit	**1,716**	2,533	**16,189**
Net liability	**58,910**	40,411	**555,755**
Prepaid pension cost	**84,250**	100,135	**794,811**
Liability for employees' retirement benefits	**¥143,160**	¥140,546	**$1,350,566**

The components of net periodic retirement benefit costs for the years ended March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Service cost	**¥23,770**	¥ 24,321	¥26,665	**$224,245**
Interest cost	**11,062**	10,861	17,834	**104,358**
Expected return on plan assets	**(5,488)**	(9,497)	(14,340)	**(51,774)**
Recognized actuarial loss	**18,526**	11,397	5,306	**174,774**
Amortization of prior service benefit	**(199)**	(109)	(2,843)	**(1,877)**
Net periodic retirement benefit costs	**¥47,671**	¥ 36,973	¥32,622	**$449,726**
Gain on exemption from future pension obligation of the governmental program	**¥ (1,429)**	¥(112,172)	—	**$ (13,481)**
Loss on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets	**12,132**	—	—	**114,453**
Gain on transfer to defined contribution pension plans	**(667)**	(6,206)	—	**(6,292)**
Contribution to defined contribution pension plans fund	**2,828**	10,089	—	**26,679**
Total	**¥60,535**	¥ (71,316)	—	**$571,085**

Assumptions used for the years ended March 31, 2004, 2003 and 2002 were set forth as follows:

	2004	2003	2002
Discount rate	**(Beginning of period) mainly 2.5%**	mainly 2.5%	mainly 2.5%
	(End of period) mainly 2.0%		
Expected rate of return on plan assets	**mainly 3.0%**	mainly 4.5%	mainly 4.5%
Amortization period of prior service benefit	**10 years**	10 years	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years	10 years

10. CONTINGENT LIABILITIES

At March 31, 2004, the Companies had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans from financial institutions to the Companies' employees and others	¥ 3,412	$ 32,188
Trade notes sold with recourse	3,841	36,236
Redemption of 1.9% yen bonds transferred to a third party under a debt assumption agreement	60,000	566,038
Total	¥67,253	$634,462

11. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The amount of retained earnings available for dividends under the Code was ¥690,476 million ($6,513,925 thousand) as of March 31, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under certain stock option plans approved by the Company's shareholders, the Company has granted stock options to directors, general managers and directors of subsidiaries. Each option permits the holder to purchase one hundred shares of the Company's common stock at a specified exercise price, during a specified period.

Information about the outstanding stock option plans is as follows:

Date of Approval	Option Holder	Total Number of Outstanding Options	Exercise Period	Exercise Price *
June 29, 2000	Directors	2,160	From July 1, 2002	¥2,717
	General Managers		to June 30, 2006	
June 28, 2001	Directors	2,490	From July 1, 2003	¥2,397
	General Managers		to June 30, 2007	
June 27, 2002	Directors	8,160	From July 1, 2004	¥2,003
	General Managers		to June 30, 2008	
June 27, 2003	Directors	11,100	From July 1, 2005	¥2,090
	General Managers		to June 30, 2009	
	Directors of subsidiaries			

* Subject to adjustment for subsequent stock splits and other circumstances.

During the year ended March 31, 2002, the Company retired 48,000 thousand shares of treasury stock, amounting to ¥84,923 million by charging the cost to retained earnings, according to the shareholders' meeting held on June 27, 2001.

12. SIGNIFICANT SHAREHOLDER

Toyota Motor Corporation ("Toyota") directly owned 205,127 thousand shares, 207,626 thousand shares and 212,414 thousand shares of common stock of the Company at March 31, 2004, 2003 and 2002, respectively, which accounted for 23.20%, 23.48% and 24.52% of the total shares of the Company issued at the respective dates.

Sales of the Companies to Toyota for the years ended March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Sales to Toyota (Japan headquarters only)	**¥816,295**	¥751,576	¥719,385	**$7,700,896**

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income were ¥214,917 million ($2,027,519 thousand), ¥182,886 million, and ¥185,627 million for the years ended March 31, 2004, 2003 and 2002, respectively.

14. LEASES

The Companies lease certain machinery, computer equipment, and other assets. Total lease expense for finance leases for the years ended March 31, 2004, 2003 and 2002 were ¥2,813 million ($26,538 thousand), ¥3,432 million and ¥2,778 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, and depreciation expenses of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Acquisition and accumulated depreciation			
Acquisition cost	**¥13,101**	¥18,850	**$123,594**
Accumulated depreciation	**7,006**	11,525	**66,094**
Net leased property	**¥ 6,095**	¥ 7,325	**$ 57,500**
Obligations under finance leases			
Due within one year	**¥ 2,183**	¥ 2,566	**$ 20,594**
Due after one year	**3,912**	4,759	**36,906**
Total	**¥ 6,095**	¥ 7,325	**$ 57,500**

Obligations under finance leases includes the imputed interest expense portion.

Depreciation expenses, which were not reflected in the accompanying consolidated statements of income for the years ended March 31, 2004, 2003 and 2002, computed by the straight-line method, were ¥2,813 million ($26,538 thousand), ¥3,432 million and ¥2,778 million, respectively.

The rental commitments under non-cancelable operating leases at March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 769	$ 7,255
Due after one year	2,729	25,745
Total	¥3,498	$33,000

15. SEGMENT INFORMATION

(A) Business Segments

Business segment data for the years ended March 31, 2004, 2003 and 2002 is not presented as the automotive segment represented more than 90% of total sales and assets of all business segments and operating income in each fiscal year.

(B) Geographical Segments (by company location)

			Millions of yen			Thousands of U.S. dollars
Years ended March 31			**2004**	2003	2002	**2004**
Sales	Japan	Customers	**¥1,469,552**	¥1,355,925	¥1,304,249	**$13,863,698**
		Intersegment	**416,245**	374,770	338,858	**3,926,840**
		Total	**1,885,797**	1,730,695	1,643,107	**17,790,538**
	The Americas	Customers	**549,208**	531,303	630,714	**5,181,208**
		Intersegment	**8,532**	9,267	12,602	**80,490**
		Total	**557,740**	540,570	643,316	**5,261,698**
	Europe	Customers	**333,486**	269,499	304,194	**3,146,094**
		Intersegment	**4,809**	4,489	5,073	**45,368**
		Total	**338,295**	273,988	309,267	**3,191,462**
	Asia & Oceania	Customers	**210,165**	176,033	161,941	**1,982,689**
		Intersegment	**13,438**	9,837	7,456	**126,773**
		Total	**223,603**	185,870	169,397	**2,109,462**
	Eliminations		**(443,024)**	(398,363)	(363,989)	**(4,179,471)**
	Consolidated		**¥2,562,411**	¥2,332,760	¥2,401,098	**$24,173,689**
Operating Income (Loss)	Japan		**¥ 153,473**	¥ 123,235	¥ 113,454	**$ 1,447,858**
	The Americas		**24,833**	28,173	18,261	**234,274**
	Europe		**(4,250)**	(3,965)	(5,885)	**(40,094)**
	Asia & Oceania		**14,903**	12,360	7,596	**140,594**
	Eliminations		**(300)**	90	(86)	**(2,830)**
	Consolidated		**¥ 188,659**	¥ 159,893	¥ 133,340	**$ 1,779,802**
Assets	Japan		**¥1,627,930**	¥1,497,411	¥1,456,499	**$15,357,830**
	The Americas		**248,500**	287,457	306,970	**2,344,340**
	Europe		**231,332**	239,946	231,095	**2,182,377**
	Asia & Oceania		**161,707**	137,230	123,322	**1,525,538**
	Corporate and Eliminations		**257,033**	192,613	243,162	**2,424,840**
	Consolidated		**¥2,526,502**	¥2,354,657	¥2,361,048	**$23,834,925**

(C) Sales by Customer Location

Years ended March 31	Millions of yen 2004	2003	2002	Thousands of U.S. dollars 2004
Japan	**¥1,442,645**	¥1,325,637	¥1,277,865	**$13,609,859**
	56.3%	56.8%	53.2%	**56.3%**
The Americas	**557,035**	539,299	632,797	**5,255,047**
	21.7%	23.1%	26.4%	**21.7%**
Europe	**332,019**	274,271	310,964	**3,132,255**
	13.0%	11.8%	12.9%	**13.0%**
Asia & Oceania	**224,511**	188,863	174,899	**2,118,028**
	8.8%	8.1%	7.3%	**8.8%**
Others	**6,201**	4,690	4,573	**58,500**
	0.2%	0.2%	0.2%	**0.2%**
Net Sales	**¥2,562,411**	¥2,332,760	¥2,401,098	**$24,173,689**

The figures in table (B) Geographical Segments are determined based on the locations of the Companies, and therefore, differ from the figures in table (C) Sales by Customer Location.

16. DERIVATIVES

The Companies use derivatives for the purpose of reducing their exposures to adverse fluctuations in interest rates and foreign exchange rates. Derivatives used include forward exchange contracts, foreign currency swaps, foreign currency options, and interest rate swaps. The amounts of derivatives are limited by the Companies' regulations.

Derivatives are subject to risk, such as fluctuations in interest rates and foreign exchange rates. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

The execution and control of derivatives at the Company, as approved by the Board of Directors at the beginning of each fiscal period, are governed by internal regulations, which stipulate the purpose of derivatives, their scope of use, and the reporting system.

The fair values of the Companies' derivative contracts at March 31, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)
			2004			**2004**
Forward exchange contracts:						
Buying contracts —						
U.S. dollar	**¥ 142**	**¥ 147**	**¥ 5**	**$ 1,340**	**$ 1,387**	**$ 47**
EURO	**96**	**99**	**3**	**906**	**934**	**28**
Others	**240**	**237**	**(3)**	**2,264**	**2,236**	**(28)**
Foreign currency options:						
Selling contracts —						
U.S. dollar call options	**¥2,303**			**$21,726**		
	<19>	**¥ 10**	**¥ 9**	**<179>**	**$ 94**	**$ 85**
Buying contracts —						
U.S. dollar put options	**4,606**			**43,453**		
	<50>	**128**	**78**	**<472>**	**1,208**	**736**
Interest rate swaps:						
Floating rate receipt, fixed rate payment	**¥1,289**	**¥1,310**	**¥21**	**$12,160**	**$12,358**	**$198**

	Contract or Notional Amounts (Millions of yen)	Fair Value (Millions of yen)	Net Unrealized Gain/(Loss) (Millions of yen)
			2003
Forward exchange contracts:			
Selling contracts —			
U.S. dollar	¥ 42	¥ 41	¥ 1
Buying contracts —			
U.S. dollar	119	107	(12)
EURO	50	36	(14)
Others	6	6	0
Foreign currency options:			
Selling contracts —			
U.S. dollar call options	¥1,669		
	<11>	¥ 13	¥ (2)
Buying contracts —			
U.S. dollar put options	3,099		
	<29>	19	(10)
Interest rate swaps:			
Floating rate receipt, fixed rate payment	¥3,895	¥3,878	¥(17)

The fair value and net unrealized gain/loss on currency and interest rate swap contracts employed to hedge exchange rate and other risks on payables and receivables to/from consolidated subsidiaries that have been eliminated in consolidation, were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)
			2004			**2004**
Forward exchange contracts:						
Selling contracts	**¥18,448**	**¥18,168**	**¥280**	**$174,038**	**$171,396**	**$2,642**
Buying contracts	**721**	**703**	**(18)**	**6,802**	**6,632**	**(170)**
Foreign currency swaps	**¥ 3,210**	**¥ 3,225**	**¥ (15)**	**$ 30,283**	**$ 30,425**	**$ (142)**

	Contract or Notional Amounts (Millions of yen)	Fair Value (Millions of yen)	Net Unrealized Gain/(Loss) (Millions of yen)
			2003
Forward exchange contracts:			
Selling contracts	¥14,815	¥14,678	¥137
Buying contracts	141	143	2
Foreign currency swaps	¥5,173	¥5,488	¥(315)
Interest rate and currency swaps	3,784	3,784	0

Notes: 1. The fair values of foreign currencies are translated at the spot rate at the balance sheet date.
2. Option premiums within the consolidated balance sheets are disclosed, in brackets (< >), under the contract or notional amounts.
3. Derivatives for which hedge accounting is applied are excluded from this disclosure.
4. The contract or notional amounts of derivatives shown in the above tables do not measure the Companies' exposure to credit or market risks.

17.
NET INCOME PER SHARE

The reconciliation of the differences between basic and fully diluted net income per share (EPS) for the years ended March 31, 2004 and 2003 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income	Weighted Average Shares	EPS	EPS
				2004
Basic EPS				
Net income available to common shareholders	**¥109,476**	**842,005**	**¥130.02**	**$1.23**
Effect of Dilutive Securities				
Warrants	**—**	**29**		
Fully diluted EPS				
Net income for computation	**¥109,476**	**842,034**	**¥130.01**	**$1.23**

	Millions of yen	Thousands of shares	Yen
	Net Income	Weighted Average Shares	EPS
			2003
Basic EPS			
Net income available to common shareholders	¥110,503	860,828	¥128.37
Effect of Dilutive Securities			
Convertible bonds	161	12,969	
Fully diluted EPS			
Net income for computation	¥110,664	873,797	¥126.65

18.
SUBSEQUENT EVENTS

(A) On June 24, 2004, at a meeting of the shareholders of the Company, the following items were approved.

(1) Appropriation of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥10,841	$102,274
Bonuses to directors and corporate auditors	333	3,141
Total	¥11,174	$105,415

(2) Stock Option Plan

The plan provides for issuing stock options mainly to directors, managing officers, key employees and directors of subsidiaries. The options entitle the holders to purchase shares of the Company’s common stock up to 1,300 thousand shares. The options will be generally granted at an exercise price of 105% of the average closing price of the per share value of the Company’s common stock, according to the Tokyo Stock Exchange, for the month prior to the month in which the options are issued. The Company plans to issue acquired treasury stock on exercise of the stock options. The exercisable period is July 1, 2006 to June 30, 2010.

(3) Purchase of Treasury Stock

The Company is authorized to repurchase up to 10,000 thousand shares of the Company’s common stock (aggregate amount of ¥25,000 million ($235,849 thousand)).

(4) Amendment of Amended Articles of Incorporation

The Company has amended its articles of incorporation to allow it to repurchase treasury stock by resolution of the Board of Directors according to the Japanese Commercial Code.

(B) The Company and its labor union agreed to change the Company’s rule for employees’ retirement benefits on May 24, 2004. Retirement benefits including pension benefits were revised from those based on the basic rate of pay at the retirement to those based on accumulated points obtained according to positions, and pension benefits were revised from payments based on a defined interest rate to those based on a variable interest rate. As a result of these changes, prior service benefits of ¥88,250 million ($832,547 thousand) were incurred and they will be amortized over ten years starting from the year ending March 31, 2005.

INDEPENDENT AUDITORS' REPORT

Deloitte.

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To the Board of Directors of
DENSO CORPORATION:

We have audited the accompanying consolidated balance sheets of DENSO CORPORATION and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of three years in the period ended March 31, 2004, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DENSO CORPORATION and consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004 in conformity with accounting principles generally accepted in Japan.

As discussed in Note 18. (B) to the consolidated financial statements, the Company and its labor union agreed to change the Company's rule for employees' retirement benefits on May 24, 2004. Retirement benefits including pension benefits were revised from those based on the basic rate of pay at the retirement to those based on accumulated points obtained according to positions, and pension benefits were revised from payments based on a defined interest rate to those based on a variable interest rate. As a result of these changes, prior service benefits of ¥88,250 million ($832,547 thousand) were incurred and they will be amortized over ten years starting from the year ending March 31, 2005.

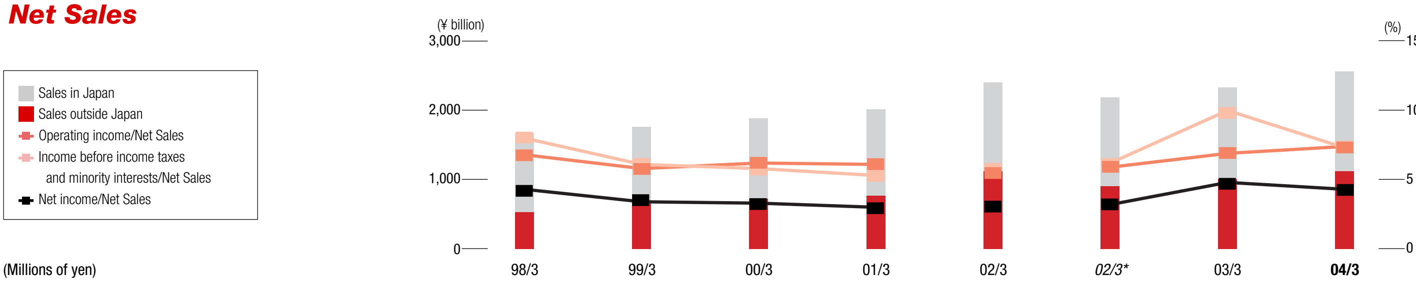
Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 24, 2004

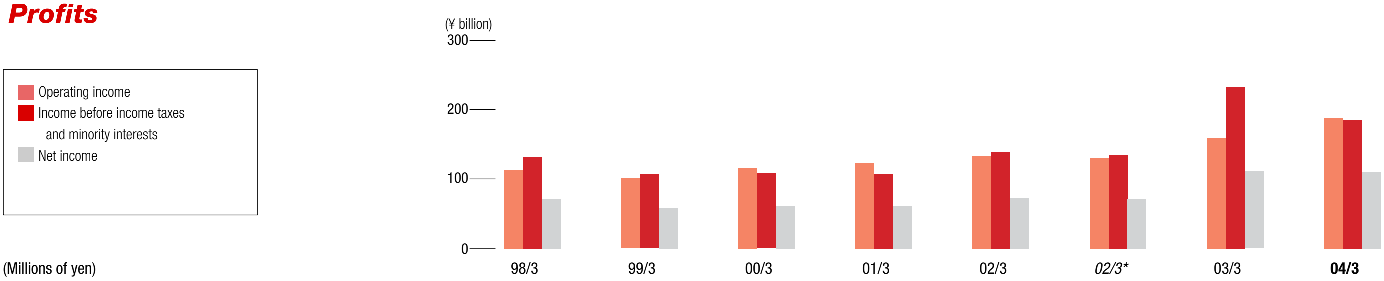
OPERATING RESULTS

Net Sales



(Millions of yen)	98/3	99/3	00/3	01/3	02/3	*02/3**	03/3	**04/3**
Net Sales	¥1,667,311	¥1,758,842	¥1,883,407	¥2,014,978	¥2,401,098	*¥2,183,062*	¥2,332,760	**¥2,562,411**
Change from previous period	2.6%	5.5%	7.1%	7.0%	19.2%	*8.3%*	(2.8%)	**9.8%**
Sales in Japan	1,135,834	1,104,579	1,161,016	1,245,830	1,277,865	*1,277,865*	1,325,637	**1,442,645**
Change from previous period	(1.5%)	(2.8%)	5.1%	7.3%	2.6%	*2.6%*	3.7%	**8.8%**
Sales outside Japan	531,477	654,263	722,391	769,148	1,123,233	*905,197*	1,007,123	**1,119,766**
Change from previous period	12.7%	23.1%	10.4%	6.5%	46.0%	*17.7%*	(10.3%)	**11.2%**
Operating income/Net Sales	6.8%	5.8%	6.2%	6.1%	5.6%	*5.9%*	6.9%	**7.4%**
Income before income taxes and minority interests/Net Sales	8.0%	6.1%	5.8%	5.3%	5.8%	*6.2%*	10.0%	**7.3%**
Net income/Net Sales	4.3%	3.4%	3.3%	3.0%	3.0%	*3.2%*	4.8%	**4.3%**

Profits

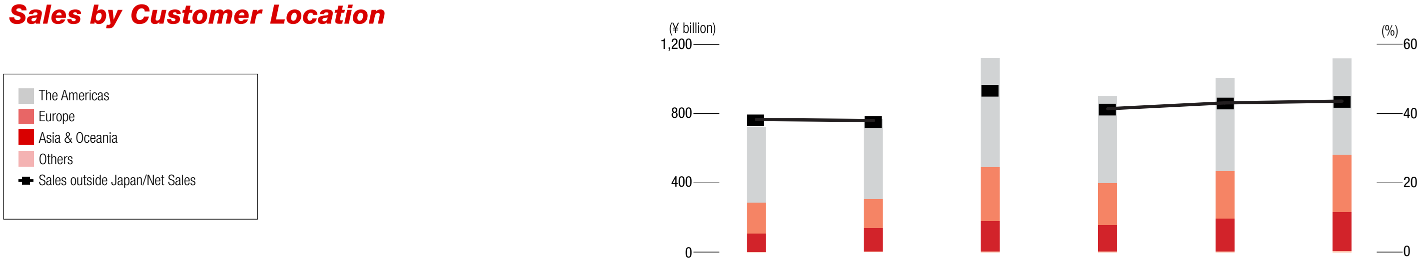


(Millions of yen)	98/3	99/3	00/3	01/3	02/3	*02/3**	03/3	**04/3**
Operating income	¥112,786	¥101,663	¥116,682	¥123,526	¥133,340	*¥129,888*	¥159,893	**¥188,659**
Change from previous period	(14.8%)	(9.9%)	14.8%	5.9%	7.9%	*5.2%*	19.9%	**18.0%**
Income before income taxes and minority interests	132,597	106,732	108,908	107,299	138,983	*135,360*	233,534	**185,892**
Change from previous period	(13.2%)	(19.5%)	2.0%	(1.5%)	29.5%	*26.2%*	68.0%	**(20.4%)**
Net income	71,158	58,969	61,913	60,799	72,313	*70,800*	111,018	**110,027**
Change from previous period	(0.3%)	(17.1%)	5.0%	(1.8%)	18.9%	*16.4%*	53.5%	**(0.9%)**

Cautionary Note: The figures for the year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures* are included for reference based on 12 months that exclude the effect of the 15-month irregular reporting period.

SALES

Sales by Customer Location



(Millions of yen)	00/3	01/3	02/3	*02/3**	03/3	**04/3**
The Americas	¥436,710	¥461,725	¥ 632,797	*¥504,939*	¥ 539,299	**¥ 557,035**
Percentage of Net sales	23.2%	22.9%	26.4%	*23.1%*	23.1%	**21.7%**
Change from previous period	(0.1%)	5.7%	37.1%	*9.4%*	(14.8%)	**3.3%**
Europe	178,774	167,252	310,964	*244,206*	274,271	**332,019**
Percentage of Net sales	9.5%	8.3%	12.9%	*11.2%*	11.8%	**13.0%**
Change from previous period	20.8%	(6.4%)	85.9%	*46.0%*	(11.8%)	**21.1%**
Asia & Oceania	104,384	137,585	174,899	*152,229*	188,863	**224,511**
Percentage of Net sales	5.6%	6.8%	7.3%	*7.0%*	8.1%	**8.8%**
Change from previous period	55.3%	31.8%	27.1%	*10.6%*	8.0%	**18.9%**
Others	2,523	2,586	4,573	*3,823*	4,690	**6,201**
Percentage of Net sales	0.1%	0.1%	0.2%	*0.2%*	0.2%	**0.2%**
Change from previous period	43.8%	2.5%	76.8%	*47.8%*	2.6%	**32.2%**
Sales outside Japan Total	722,391	769,148	1,123,233	*905,197*	1,007,123	**1,119,766**
Sales outside Japan/Net Sales	38.4%	38.1%	46.8%	*41.5%*	43.2%	**43.7%**

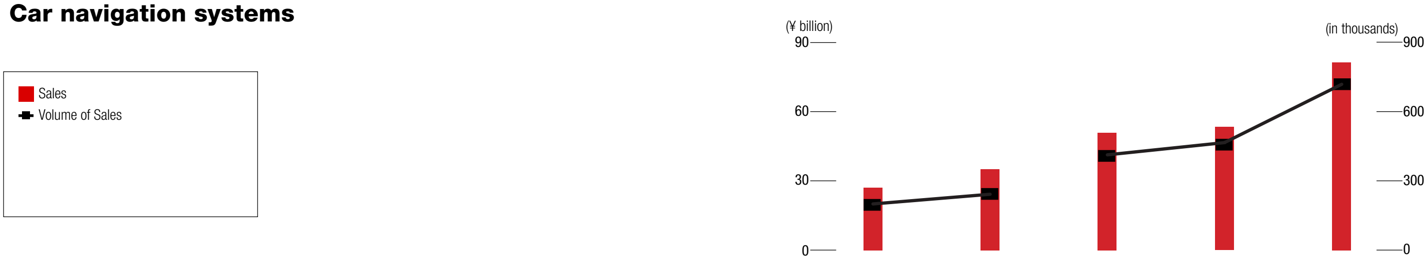
Breakdown of Sales by Customer

(Percentage of net sales)	00/3	01/3	02/3	*02/3**	03/3	**04/3**
TOYOTA	45.1%	45.7%	44.2%	*45.4%*	46.0%	**46.9%**
DAIHATSU	3.2	3.4	2.9	*3.1*	2.8	**2.6**
HINO	1.1	1.1	0.9	*1.0*	1.1	**1.5**
TOYOTA Group sub–total	49.4	50.2	48.0	*49.5*	49.9	**51.0**
HONDA	6.7	7.0	7.5	*7.4*	8.3	**7.9**
GM	1.5	1.8	2.8	*2.3*	2.7	**2.6**
FIAT	1.7	1.5	2.7	*2.5*	2.2	**2.8**
SUZUKI	3.8	4.0	3.3	*3.5*	3.5	**3.0**
ISUZU	0.8	1.1	1.1	*1.1*	1.1	**1.6**
FUJI	1.0	1.1	1.0	*1.1*	1.0	**1.3**
GM Group sub–total	8.8	9.5	10.9	*10.5*	10.5	**11.3**
FORD	1.1	0.8	1.1	*0.9*	1.0	**1.3**
JAGUAR	0.5	0.5	0.6	*0.5*	0.5	**0.6**
VOLVO/LAND ROVER	0.6	0.4	0.8	*0.7*	0.6	**0.5**
MAZDA	2.2	1.9	1.5	*1.6*	1.6	**1.6**
FORD Group sub–total	4.4	3.6	4.0	*3.7*	3.7	**4.0**
CHRYSLER	5.3	4.7	4.6	*4.0*	3.5	**3.1**
BENZ	0.9	0.9	1.4	*1.3*	1.2	**1.0**
MITSUBISHI	4.0	4.0	2.9	*2.9*	2.9	**2.5**
DC Group sub–total	10.2	9.6	8.9	*8.2*	7.6	**6.6**
VW/AUDI	0.7	0.9	1.7	*1.5*	1.6	**1.5**
HYUNDAI	0.2	0.3	0.6	*0.6*	0.8	**0.8**
BMW	0.4	0.5	0.7	*0.6*	0.6	**0.5**
RENAULT/NISSAN	0.1	0.1	0.3	*0.2*	0.3	**0.4**
PSA	0.1	0.1	0.3	*0.3*	0.4	**0.3**
Others	19.0	18.2	17.1	*17.5*	16.3	**15.7**
Total	100.0%	100.0%	100.0%	*100.0%*	100.0%	**100.0%**

Cautionary Note: The figures for the year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures* are included for reference based on 12 months that exclude the effect of the 15-month irregular reporting period.

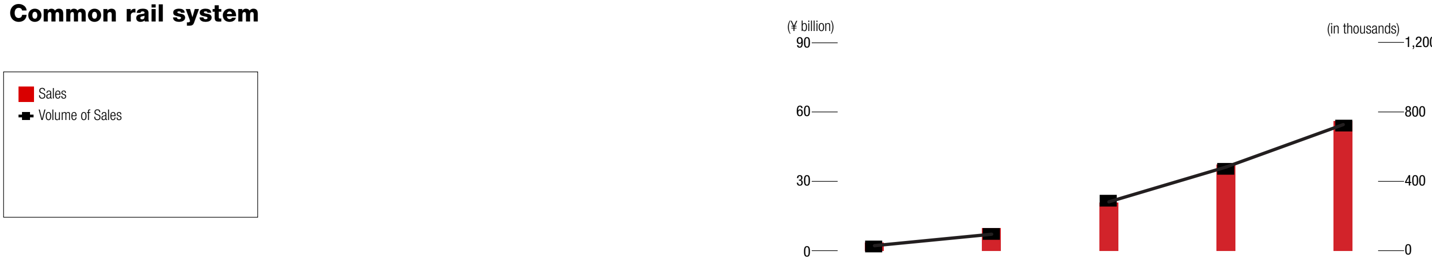
Sales and Volume of Sales of Main Products

Car navigation systems



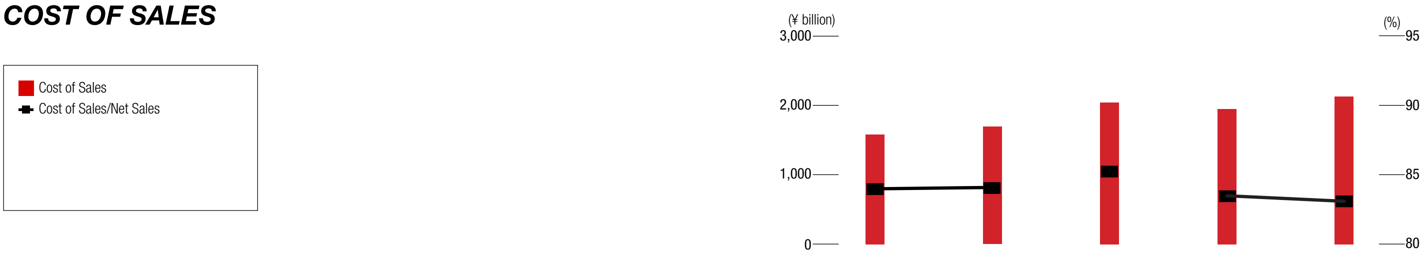
(Millions of yen)	00/3	01/3	*02/3**	03/3	**04/3**
Sales	¥27,119	¥35,210	*¥50,996*	¥53,450	**¥81,432**
Change from previous period	154.8%	29.8%	*44.8%*	4.8%	**52.4%**
Volume of Sales (in thousands)	201	243	*414*	467	**720**
Change from previous period	235.0%	20.9%	*70.4%*	12.8%	**54.2%**

Common rail system



(Millions of yen)	00/3	01/3	*02/3**	03/3	**04/3**
Sales	¥3,636	¥9,748	*¥20,914*	¥37,367	**¥56,276**
Change from previous period	230.2%	168.1%	*114.5%*	78.7%	**50.6%**
Volume of Sales (in thousands)	30	96	*283*	484	**729**
Change from previous period	275.0%	220.0%	*194.8%*	71.0%	**50.6%**

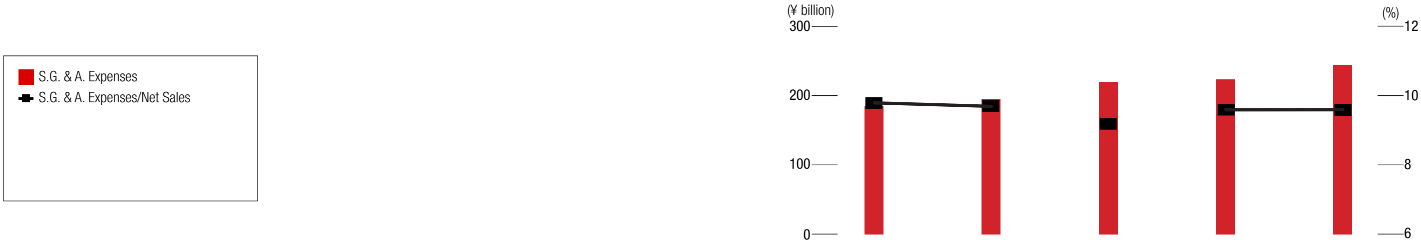
COST OF SALES



(Millions of yen)	00/3	01/3	02/3	03/3	**04/3**
Cost of Sales	¥1,581,856	¥1,695,344	¥2,047,171	¥1,948,636	**¥2,128,604**
Change from previous period	6.7%	7.2%	20.8%	(4.8%)	**9.2%**
Cost of Sales/Net Sales	84.0%	84.1%	85.3%	83.5%	**83.1%**

Cautionary Note: The figures for the year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures* are included for reference based on 12 months that exclude the effect of the 15-month irregular reporting period.

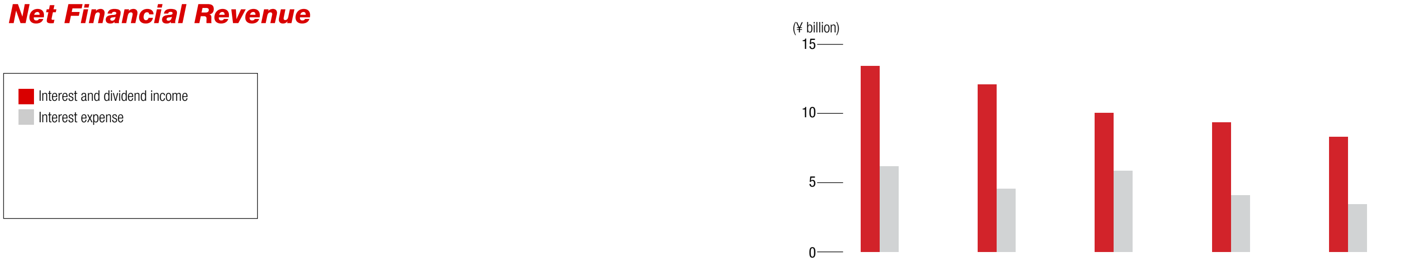
S.G. & A. EXPENSES



(Millions of yen)	00/3	01/3	02/3	03/3	**04/3**
S.G. & A. Expenses	¥184,869	¥196,108	¥220,587	¥224,231	**¥245,148**
Change from previous period	6.2%	6.1%	12.5%	1.7%	**9.3%**
S.G. & A. Expenses/Net Sales	9.8%	9.7%	9.2%	9.6%	**9.6%**

OTHER INCOME AND EXPENSES

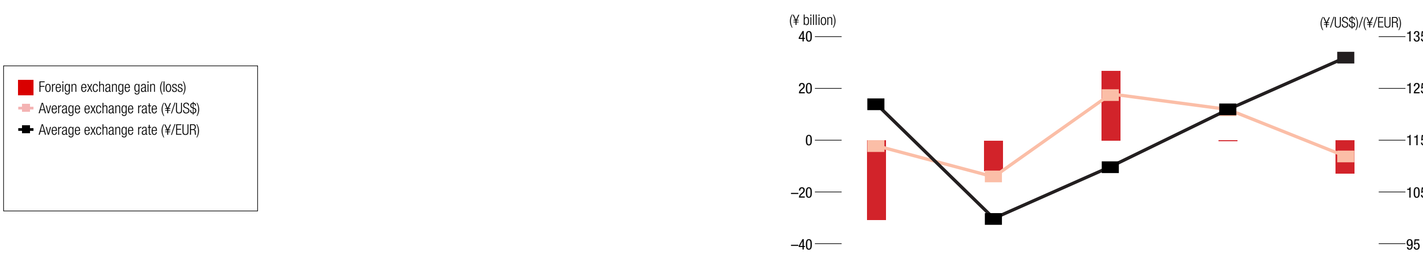
Net Financial Revenue



(Millions of yen)	00/3	01/3	02/3	03/3	**04/3**
Interest and dividend income	¥13,455	¥12,102	¥10,033	¥9,358	**¥8,311**
Interest expense	6,194	4,561	5,851	4,103	**3,448**
Net financial revenue	7,261	7,541	4,182	5,255	**4,863**
Interest coverage (times)*	21.0	29.7	24.5	41.3	**57.1**

Note: Interest coverage = (Operating income+Interest and dividends income)/Interest expense

IMPACT OF FOREIGN EXCHANGE TRENDS

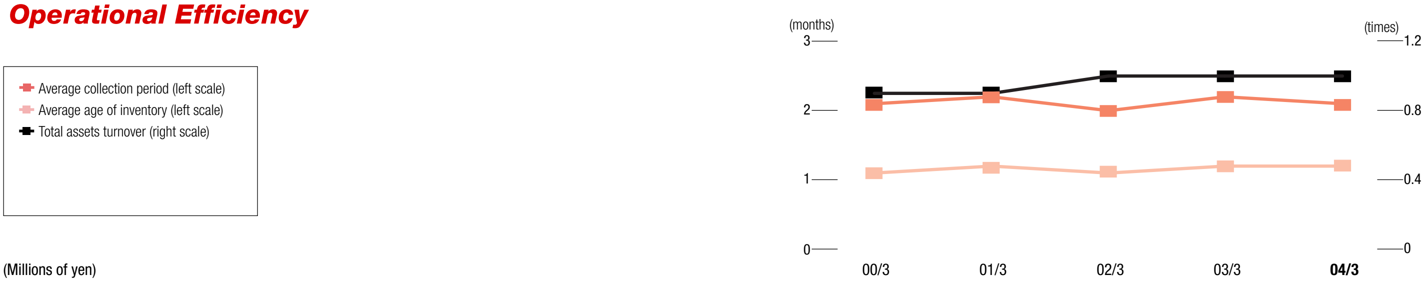


	00/3	01/3	02/3	03/3	**04/3**
Average exchange rate (¥/US$)	¥ 114	¥ 108	¥ 124	¥ 121	**¥ 112**
Average exchange rate (¥/EUR)	122	100	110	121	**131**
Foreign exchange gain (loss) (¥ billion)	(30.6)	(11.7)	26.9	(0.3)	**(12.8)**
Foreign exchange gain (loss)–US$ (¥ billion)	–	(2.2)	22.9	(4.7)	**(16.8)**
Foreign exchange gain (loss)–EUR (¥ billion)	–	(5.2)	2.1	3.5	**4.7**
Impact of ¥1/US$ change (¥ billion)	1.75	1.65	1.56	1.64	**1.85**
Impact of ¥1/EUR change (¥ billion)	–	0.35	0.22	0.30	**0.46**

Cautionary Note: The figures for the year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures* are included for reference based on 12 months that exclude the effect of the 15-month irregular reporting period.

OTHER FINANCIAL INDICES

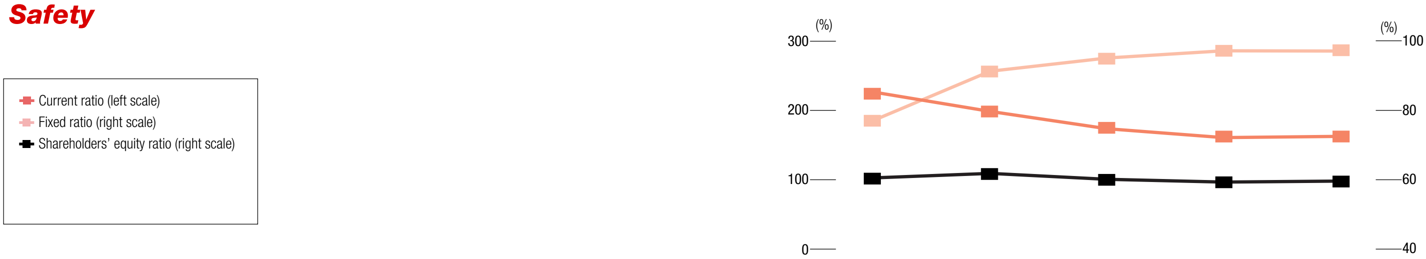
Operational Efficiency

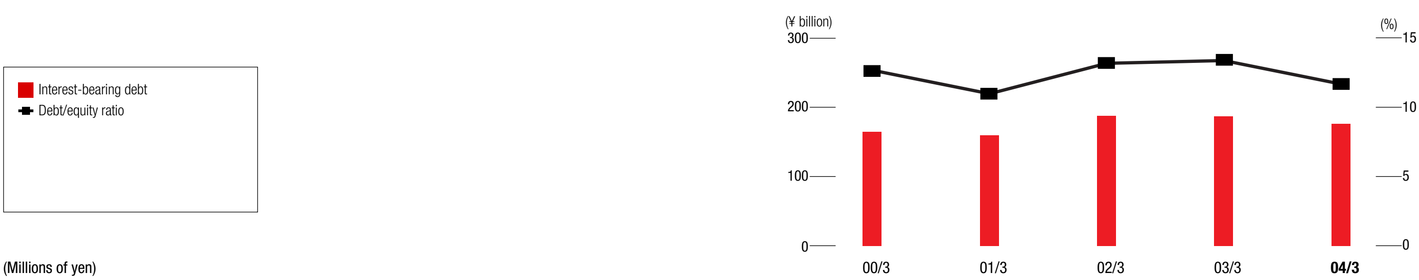


(Millions of yen)	00/3	01/3	02/3	03/3	**04/3**
Notes and accounts receivable	¥ 355,911	¥ 391,040	¥ 426,354	¥ 419,924	**¥ 475,439**
Average collection period (months)	2.1	2.2	2.0	2.2	**2.1**
Inventories	155,309	186,878	188,418	196,581	**214,751**
Average age of inventory (months)	1.1	1.2	1.1	1.2	**1.2**
Total assets	2,154,251	2,343,328	2,361,048	2,354,657	**2,526,502**
Total assets turnover (times)	0.9	0.9	1.0	1.0	**1.0**

Note: The figures for the average collection period, average age of inventory and total assets turnover are calculated based on average trade receivables, inventories and total assets at the beginning and the end of each fiscal year.

Safety





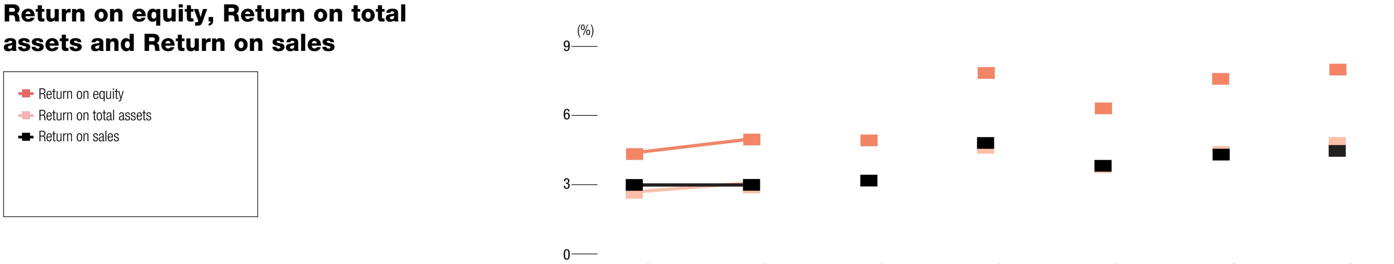
(Millions of yen)	00/3	01/3	02/3	03/3	**04/3**
Current assets	¥1,063,416	¥1,017,646	¥1,007,476	¥ 994,690	**¥1,058,996**
Fixed assets	1,005,934	1,325,682	1,353,572	1,359,967	**1,467,506**
Current liabilities	468,209	511,427	578,889	617,060	**649,817**
Long–term liabilities	313,667	322,435	297,482	273,051	**295,261**
Interest–bearing debt*	165,150	159,537	187,702	187,107	**176,147**
Shareholders' equity	1,304,400	1,451,211	1,421,212	1,397,888	**1,509,489**
Current ratio	227.1%	199.0%	174.0%	161.2%	**163.0%**
Fixed ratio	77.1%	91.4%	95.2%	97.3%	**97.2%**
Debt*/equity ratio	12.7%	11.0%	13.2%	13.4%	**11.7%**
Shareholders' equity ratio	60.6%	61.9%	60.2%	59.4%	**59.7%**

Note: Interest-bearing debt*=Short-term borrowings+Curent portion of long-term debt+Long-term debt+Straight bonds
Debt*/equity ratio=Interest–bearing debt / Shareholders' equity ratio

Cautionary Note: The figures for the year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures* are included for reference based on 12 months that exclude the effect of the 15-month irregular reporting period.

Profitability and Investment Analysis Ratios

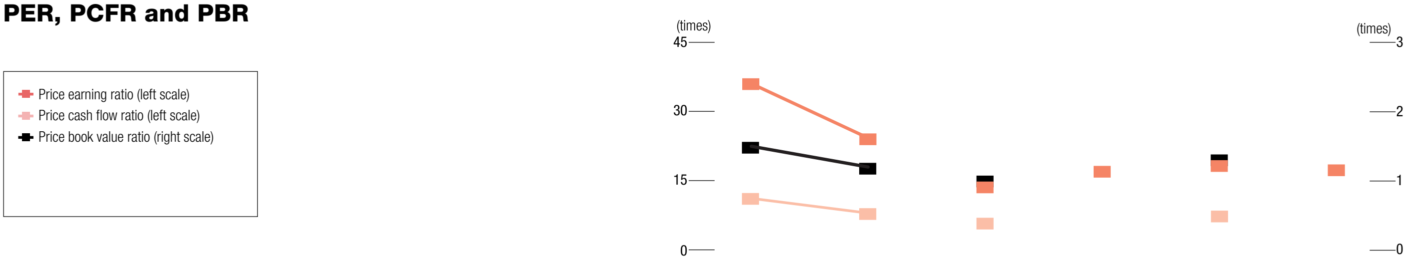
Return on equity, Return on total assets and Return on sales



(Yen)	01/3	02/3	*02/3**	03/3	*03/3**	**04/3**	*04/3**
Return on equity	4.4%	5.0%	*4.9%*	7.9%	*6.3%*	**7.6%**	*8.0%*
Return on total assets	2.7%	3.1%	–	4.7%	*3.8%*	**4.5%**	*4.8%*
Return on sales	3.0%	3.0%	*3.2%*	4.8%	*3.8%*	**4.3%**	*4.5%*
Average number of shares outstanding (in thousands)	914,121	901,489	*901,489*	860,828	*860,828*	**842,005**	*842,005*
Earnings per share	¥ 66.51	¥ 80.22	¥ *78.54*	¥ 128.37	¥ *102.60*	**¥ 130.02**	¥ *137.27*
Cash dividends per share	17.00	18.00	–	20.00	*20.00*	**24.00**	*24.00*
Cash flow per share*	213.55	243.59	*233.83*	299.33	–	**310.21**	–
Number of shares outstanding as of the respective balance sheet dates (in thousands)	913,991	865,686	*865,686*	843,352	*843,352*	**833,873**	*833,873*
Shareholders' equity per share	1,587.77	1,641.72	*1,641.72*	1,656.93	–	**1,809.55**	–

Notes 1: The figures for ratios involving shareholders' equity and total assets are calculated based on average shareholders' equity and total assets at the beginning and the end of each fiscal year.
Cash flow per share=(Net income+Depreciation)/Average number of shares outstanding
2: The italicized figures for the years ended March 31, 2003 and 2004 exclude non-recurring items in other income and expenses for reference.

PER, PCFR and PBR



	01/3	02/3	03/3	*03/3**	**04/3**	*04/3**
Stock price at the end of fiscal year (yen)	¥2,400	¥1,953	¥1,732	*¥1,732*	**¥2,370**	*¥2,370*
Price earning ratio (times)*	36.1	24.3	13.5	*16.9*	**18.2**	*17.3*
Price cash flow ratio (times)*	11.2	8.0	5.8	–	**7.6**	–
Price book value ratio (times)*	1.5	1.2	1.0	–	**1.3**	–

Notes 1: Price earning ratio=Stock price at the end of fiscal year/Earnings per share
Price cash flow ratio=Stock price at the end of fiscal year/Cash flow per share
Price book value ratio=Stock price at the end of fiscal year/Shareholders' equity per share
2: The italicized figures for the years ended March 31, 2003 and 2004 exclude non-recurring items in other income and expenses for reference.

Cautionary Note: The figures for the year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures* are included for reference based on 12 months that exclude the effect of the 15-month irregular reporting period.